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[For the economic and political position of Rumania under Soviet control since the death of Stalin, see 85: Zinner, Rl Soviet Union, category 116, Pp. 157B-163B.]

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PREFACE

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RUMANIA is economically one of the relatively backward regions of the world. It is not as backward as vast areas of Asia and Africa, but like them it is faced with the problems of an agrarian society in the twentieth century. How are such societies to adapt themselves to the demands and challenges of the industrial world economy? This is perhaps the most interesting and compelling reason for a study of Rumanian politics and agriculture. A further reason is that since the end of the Second World War Rumania has been "behind the Iron Curtain" and has therefore acquired a certain immediate significance as part of the complex of issues dividing the Soviet Union and the United States. Finally, literature in English on Rumania is comparatively limited and unsatisfactory. Hence, this study of a country rather remote from the interests of most Americans may shed some light in a dark corner.

The premise of this book is that an understanding of Rumania's recent history requires familiarity with the depressed status of its peasantry, whose plight has been a chronic source of alarm, anxiety, or despair since the time of Tudor Vladimirescu, who in 1821 raised a popular revolt against the boyars. Discussions I heard in Bucarest in the winter of 1944–45 echoed to a surprising extent the manifestoes of 1848, the debates on the emancipation of 1864, the polemics evoked by the 1907 uprising, and the Peasant party's radical pamphlets of 1920.

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To be sure, between 1821 and 1944 Rumania underwent tremendous changes which might make one question whether the same problems were involved. An independent kingdom was created from the principalities of Moldavia and Wallachia, which had formerly acknowledged the Turkish sultan as their suzerain; after the First World War this kingdom doubled its area. World commerce came to Rumania; industry, if not large, expanded rapidly in the twentieth century. The population multiplied many times over. In agriculture itself there were important developments. From a semipastoral land, where stock raising was more important than farming, Rumania became, for a time, one of the great wheat and maize exporters of the world.

Agrarian problems, too, seemed to change during this period. Initially the chief sources of social discontent were servile dues and labor obligations which bore heavily upon the peasant. Later the un-

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423 land, it was not passed on from father to son but reverted to the landowner, who was in turn responsible for providing newly married young cultivators with a holding. In fixing the extent of land to be held by each cultivator, these acts, especially the one for Moldavia, reduced the amount customarily enjoyed for pasturage and restricted the peasants' forest rights. Although the peasant was theoretically free to move, he was in fact tied to his community by a net of regulations.

[433] With a few modifications Rumanian agrarian relations were determined by the Organic Statutes for the next third of a century. Under them, as a contemporary observer remarked, "The principalities took on a new life"; there was a marked increase in economic activity. That the benefits of this activity were not generally shared by the peasants, however, is shown by their continued exodus across neighboring frontiers. They were being forced out of their old semipastoral habits, and the very increase of cereal exports could work to their disadvantage. For example, the entire 1847 wheat crop was sold in advance because of the urgent demands in other European states suffering from food shortages in the late 1840's. As a result of these premature sales, made largely through the boyars, the principalities experienced a food crisis which contributed greatly to the peasant unrest in the turbulent year 1848.

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Apart from the abortive attempts at reform during the short-lived Wallachian revolution in 1848 and a moderate revision of the Organic Statutes in 1851, the next major change was the Act of 1864, which paralleled the 1848 emancipation in the Habsburg lands and the Russian emancipation of 1861. This act, promulgated for the united principalities by Prince Cuza, for political and social rather than for economic reasons, abolished the clacă and other servitudes. The peasants obtained full title to the land they had in use, based upon earlier regulations, and the landowners were given a compensation for the loss of their labor. The law followed the now recognized provision that peasant property could not exceed two-thirds of the former lord's estate. The new holdings could not be sold or alienated for a period of thirty years.

By this act, so it seemed, the remnants of the old servile system had been abolished. Possession and use of land were transformed into absolute property rights; the peasant holder was now a free proprietor, owing no servile obligations, and, indeed, the translation of the clacă and other dues into a redemption payment does seem to have dimin-

[1] Emerit, *op. cit.*, p. 48, doubts if there is sufficient evidence to permit a positive declaration that the peasants traditionally had had the use of all the land.

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INDEX OF AREA, YIELD, AND PRODUCTION OF CEREALS[32]

(1909–13 = 100)

	1909–13	1920	1922	1924	1925	1926	1933–37
Area	100	84.4	94.5	101.2	103.5	102.8	114.3
Yield	100	86.7	77.5	60.0	71.7	99.2	81.7
Production	100	72.9	73.6	60.6	74.6	101.6	93.1

In the discussion of overpopulation it was seen that the productivity per hectare in Rumania was exceedingly low. For the four-year period 1928–32 the Rumanian wheat yield was below that of any Balkan state except Greece, averaging 9.5 quintals per hectare, as contrasted with a French yield of 14.8 and a Danish yield of 29.4 quintals per hectare during the same years. Although the Rumanian peasant has been more successful with maize, his output of that grain is also very low. This low rate of yield has been the most striking symptom of the unhealthy condition of Rumanian agriculture. The records of the past half century give little evidence of improvement, and there has been a noticeable decline in comparison with the pre-1914 figures.

Technical and material factors provide an immediate explanation for Rumania's poor output, but beyond these are more general causes which inhibit the improvement of agriculture and the introduction of more efficient techniques. On the whole, physical conditions in Rumania do not prevent a satisfactory agriculture. The hilly regions are somewhat deficient in humus but the soil of the plains is unusually fertile. The plains are exposed to extremes of rainfall and temperature, and the irregularity of the rainfall, the most serious threat to crops, is conducive to a wide fluctuation in output. Nevertheless, these conditions would present no serious obstacle to an increase in production if farming methods were adapted to the soil and climate.[33]

The principal material reasons for the low productivity are the extremely limited use of manure and fertilizers, absence of which is causing gradual depletion of the soil, even in the best plains regions; the lack of moisture-conserving measures; a primitive crop-rotation system; the low quality of livestock; backward techniques of cultivation and the shortage of agricultural equipment; and the prevalence of strip farming. The two last points require additional explanation.

32. League of Nations, *Agricultural Production in Continental Europe* (1943), p. 73.
33. U.S. Department of Agriculture, *op. cit.*, p. 715.

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IV

TOWN, COUNTRY, AND FOREIGN TRADE

Rumanian Industry

INDUSTRY has a Jekyll and Hyde role in the minds of many Rumanians. It is regarded as the potential savior of the economy through its ability to increase national productivity and to absorb surplus agricultural population. At the same time it is accused of exploiting the countryside and of gaining all the rewards. These two views are not necessarily mutually exclusive.

Before the First World War industry in the Old Kingdom was relatively undeveloped; the two most important industries were petroleum production and lumbering, both largely financed by foreign capital and both producing principally for export. Industrialization was naturally restricted by the scarcity of local capital and the lack of a trained labor force. Although the economy was predominantly agricultural, the Rumanian government, in 1887, inaugurated a policy of encouraging national industry by means of a high protectionist tariff, partly to avoid the complete destruction of household industries by foreign competition, partly for nationalist reasons.

The acquisition of new territories after the First World War—especially Transylvania with its mineral resources, metallurgical industry, and more highly developed economy—provided additional impulse to industrial expansion. Greater Rumania was moderately well endowed with raw materials: petroleum, fair lignite reserves, some iron, lead, zinc, and salt. Nevertheless, Rumania remained a predominantly agrarian country; in 1930 only 10 per cent of the active population was engaged in industry.

The growth of industry in the Old Kingdom in the first third of the twentieth century is shown by the following figures:[1]

	Number of industrial enterprises	*Personnel*	*Horsepower in enterprises*
1901	62,188	168,198	60,744
1930	58,892	279,897	623,442

The decrease in the number of establishments and the increase in horsepower show a concentration of industry in larger undertakings

1. Madgearu, *Evoluția economiei românești*, p. 138.

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and the decline of small shops. Against the increase in personnel employed must be set the growth of population from 5,957,000 in 1899 to 8,791,000 in 1930.

The rate of growth was somewhat slower in Transylvania, which had a more important industry at the beginning of the century than the Old Kingdom: [2]

	Undertakings	*Personnel*	*Undertakings with less than 20 employees*		*Undertakings with more than 20 employees*	
			No.	*Personnel*	*No.*	*Personnel*
1900	94,112	212,599	93,651	153,223	461	59,376
1930	59,040	269,623	58,000	123,260	1,040	146,363

According to the 1930 census there were 140,948 industrial enterprises in all of Rumania employing 616,743 persons; 130,433 were small shops employing between 1 and 5 persons. The chemical industry, including of course the petroleum industry, had the greatest capital investment, followed by the food, metallurgical, and textile industries. The food industry was most important in terms of value of output, followed by the textile, chemical, and metallurgical industries.

Except for a slump in the depression years, which was overcome by 1934, Rumanian industry experienced a fairly constant growth during the interwar period. The years 1921–26 were spent in recovering from wartime destruction, but by 1938 manufacturing production stood at 177.9 as against 100 for the year 1913: [3]

INDEX OF MANUFACTURING PRODUCTION (Base: 1913 = 100)

1913	100	1927	118.8	1934	167.8
1921	47.2	1928	131.8	1935	165.2
1922	73.2	1929	136.9	1936	175.0
1923	73.2	1930	132.5	1937	182.0
1924	89.0	1931	140.6	1938	177.9
1925	92.2	1932	111.9		
1926	103.7	1933	136.2		

The recovery and expansion of Rumanian industry after the depression was quite marked; the rate of growth was somewhat above

2. *Ibid.*, p. 140.
3. League of Nations, *Industrialization and Foreign Trade*, p. 137.

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that for world manufacturing as a whole.[4] This recovery was accompanied by a further concentration of undertakings and an elimination of smaller establishments. The emphasis shifted from consumer goods toward capital goods: between 1927 and 1937 the volume of output of capital goods increased by 57.4 per cent, that of consumer goods by 45 per cent. In 1937 the value of the output of capital goods was only slightly less than that of consumer goods.

The rapid expansion of industry, especially of the capital goods industries, contrasts strangely with the backward state of Rumanian agriculture and the generally low level of consumption. In fact, however, the expansion of industry was not closely integrated with the development of the whole of the economy, but was the result of very special circumstances. The growth of capital goods industries did not correspond to the development of an internal market: two of the most important items, petroleum and wood, were primarily for export; the rapid growth of the metallurgical industry was caused by increasing state demands, above all for armaments. (In 1938, 70 per cent of the metallurgical output was consumed by the state.) The growth of the consumers goods industries did not lead to an equivalent increase in consumption. Indeed, in 1937 per capita consumption of most consumers goods was below the 1927 level, since the increase in production was matched by a decline in imports. While it is meaningless to consider the development of an industry as "artificial," since industry almost by definition is the essence of artificiality, nevertheless Rumanian industry was a forced growth, aided by high tariff production, state support, and a relatively high degree of cartelization.

In certain respects the precocious maturity of Rumanian industry resembles the development of Rumanian agriculture in the nineteenth century, in that both were molded by external economic forces of the more advanced West. Agriculture was driven into extensive cereal cultivation by the expansion of commerce; industry, instead of developing gradually from commerce and small crafts, rapidly assumed the Western form of large cartelized undertakings. To be sure, there is no reason why Rumanian industrial development should have repeated the historical stages of Western industry; on the contrary, the fact that the West had evolved a high level of industry made it both unnecessary and impossible for Rumanian industry to pursue the same path; but this hurried adoption of alien industrial patterns was bound to lead to economic dislocations.

4. *Ibid.*, p. 95. Rumanian manufacturing in 1936–38 was 45 per cent above that in 1926–29; for world manufacturing as a whole the increase was 33 per cent.

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What was the effect of this industrial expansion upon Rumanian agriculture? In the first place, it did little to intensify farming, provide it with improved equipment, or lead to the creation of agricultural industries.

> With all the accelerated rhythm of the process of industrialization, the cultivation of the soil and the raising of livestock have not received any notable stimulus toward intensification; food industries based upon agricultural produce have not developed; the textile industry, while well advanced, has neglected native textile plants—flax and hemp—it has stimulated the cultivation of cotton only in the last years, and has provided no incentive for improving the quality of wool; the oil industry has been unable to cause an increase in the production of oleaginous plants, and the introduction of the soy bean in recent years is the result solely of the influence of foreign commercial relations. Finally, the rudimentary and insufficient technical investment in agriculture and the minimal importance of chemical fertilizers illustrate the absence of any positive influence in this direction by the metallurgical and chemical industries.[5]

In the second place, industry in the interwar years, while growing rapidly, was in no position to absorb the excess labor force which was accumulating in agriculture in the absence of a more intensive cultivation. Between 1929 and 1938 personnel engaged in manufacturing industries increased by 90,000 or by about 10,000 a year, whereas the annual rural excess has been estimated at between 100,000 and 200,000.[6] Rumanian industry at its existing level was clearly unable to provide much relief to agricultural overpopulation.

It may be concluded, then, that the development of Rumanian industry was of little direct benefit to agriculture, either in improving or intensifying cultivation or in absorbing surplus labor. It has been maintained, on the contrary, that the advance of industry was at the expense of agriculture, a common complaint in most agrarian communities. Two preliminary observations should be made in this connection. In a society which is advancing there is a natural tendency for agriculture to play a relatively smaller part, the proportion of income spent on food is less, and agriculture's share in the total income declines. Moreover, since agricultural supply is less elastic than the supply of industrial products, agriculture is more apt to suffer in the event of price fluctuation. In a depression a price scissors is likely to occur; in the period 1929–39 this effect was very strong in

5. Madgearu, *op. cit.*, p. 190.
6. *Ibid.*, p. 32.

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Rumania and undoubtedly served to maintain agriculture in a depressed condition.[7] These, however, are general tendencies which, in theory at least, should adjust themselves in time; in the long run, and on the assumption of mobility in the factors of production, an equilibrium should be reached between agriculture and industry. But apart from such general factors, did the specific form of the development of Rumanian industry work to the disadvantage of agriculture?

A Yugoslav rural health worker, in describing the relations between town and country in the Balkans, concluded that agriculture was losing in the exchange of goods: [8]

> A survey undertaken in several rural countries on the nutritional status of the population showed that there exists undernourishment among a large number of the rural population, and that agricultural products are exported from rural countries without consideration of the nutritional requirements of the people. The reasons are purely commercial. The industrial products imported into the rural countries in exchange serve merely the urban population and industrial establishments from which the farming population derives comparatively small benefit. To cover their money requirements, the farmers owning small holdings are usually compelled to sell the best products of their farms to the town people. Thus they are helping the cities and industries, themselves remaining far in the rear in regard to sanitation, housing, health, and general education.

The Rumanian economist Manoilescu undertook to demonstrate that in the Rumanian trade triangle between countryside, town, and foreign market, the countryside received far less in the way of goods

7. Madgearu, *op. cit.*, p. 80:

(1929 prices = 100)

	Price of agricultural products	*Price of industrial products used by agriculture*	*Relation*
1929	100.0	100.0	100.0
1930	68.2	98.0	69.6
1931	50.8	86.6	58.7
1932	47.7	80.9	59.0
1933	44.9	81.1	55.4
1934	44.1	82.6	53.4
1935	48.4	90.2	53.7
1936	54.0	95.4	56.6
1937	64.6	101.8	63.9
1938	67.1	99.2	67.6
1939	72.7	112.5	64.6

8. Andreya Stampar, "Observations of a Rural Health Worker," quoted in *International Journal of Agrarian Affairs*, *1*, No. 1 (October, 1939), 71.

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and services than it gave, the difference being gained by the towns.[9] According to these views, trade relations were actually detrimental to the rural areas, which were being drained by the towns and industries.

It is not necessary here to discuss the theoretical question whether there is any absolute disadvantage to the countryside in its commerce with the towns. If during a period of change toward industrialization the countryside's position declines in relation to the town, it is quite possible for a number of other factors—which may be "short term" or even noneconomic—to convert this relative disadvantage into an absolute loss in income. Such factors may include the inelasticity of agricultural supply, the immobility of agricultural labor, and the increase in agricultural population. Finally, governmental and political policies may favor industry at the expense of agriculture. This last point requires further elucidation, as it was quite important in Rumania.

Rumanian industry was created in the shelter of high protective tariffs, which undoubtedly served to increase the costs of agriculture and to benefit industry at its expense. These tariffs have been justified by the "infant industries" argument, and in part they were brought about by the agricultural protectionist policy of the European industrial states. But the combination of protectionism and the development of cartels did give industry a monopolistic position in the internal Rumanian market which worked to the disadvantage of agriculture. In addition to tariff protection, Rumania had a long tradition of direct encouragements to industry—such as exemptions from taxation and special transport rates—which persisted in the interwar period and were expanded in the 1930's.

The protective tariffs, by restricting foreign imports, had the effect of bringing in foreign capital for investment in local industry. But while foreign capital has been of great importance in the development of Rumania's larger industries and in the creation of its transportation system, the effect on the total economy has been somewhat one-sided, partly because the capital was naturally attracted to industries working for export: "Without depreciating the influence of foreign capital in stimulating industrialization, it is to be underlined that the benefits of invested foreign capital do not for the most part serve to create purchasing power in the national market

[113]

9. M. Manoilescu, "Das wirtschaftliche und soziale Dreieck der Agrarstaaten: die Stadt, das Dorf, das Ausland," *Internationale Agrarrundschau*, No. 6 (Berlin, 1940), also cited in Hugo Böker, "Agriculture's Share in the National Income and the Agricultural Situation," *International Review of Agriculture, 32*, No. 1 (January, 1941), 22. For a discussion of M. Manoilescu's views, see below, pp. 193–197.

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and do not contribute to increasing the supply of capital, since they are exported." [10]

A comparison of industrial manufacture, industrial imports, and consumption of manufactured goods between 1927 and 1938 shows that while the percentage of industrial consumption which was provided for by Rumanian industry rose from 63.5 per cent to 78.6 per cent, the total consumption of industrial products dropped from about 93 billion lei in 1927 to 88 billion lei in 1938. That is, the increase in industrial production (from 59 to 69 billion lei) was more than balanced by the fall in industrial imports (from 34 to 19 billion lei).[11]

From this the conclusion might be drawn that Rumanian industrialization, instead of increasing purchasing power, was reducing it. Such indeed was Madgearu's opinion: "It is certain that the position of quasi-monopoly created by the system of protection of the national industry is the principal cause of the state of inferiority into which agriculture in general and peasant agriculture in particular have been driven." [12]

If the desirability of a policy of industrialization is granted, it is clear that since industries do not materialize from thin air and are not created by amiable fairy godmothers energy and resources must be diverted from other fields to the creation of industry, at least during the period of its inception and establishment. But the ultimate effect, presumably, is to raise the whole level of the economy; perhaps the agricultural sector will not advance as rapidly or as far, but in the long run at least the whole community should benefit. If Madgearu's conclusion is correct, such was not the result of Rumanian industrialization; instead, the industrial sector pulled away from the rest of the economy, was not directed to satisfying its needs, and may actually have reduced the over-all power of consumption.

Admittedly, twenty-five years may be too brief a period in which to judge such a development. Moreover, as has been mentioned before, a great many external influences had a powerful effect upon the Rumanian economy. The first years after 1921 were spent in recover-

10. Madgearu, *op. cit.*, p. 204. In this connection see also Jozo Tomasevich's chapter on "Foreign Economic Relations," in *Yugoslavia*, ed. Robert J. Kerner (Berkeley; Los Angeles, 1949), which expresses substantially the same view regarding the role of foreign investment in Yugoslavia.

11. Madgearu, *op. cit.*, p. 257.

12. Madgearu, *op. cit.*, p. 259. Madgearu's conclusions, however, are not altogether disinterested. As an old National Peasant who had attacked the protectionist policy of the Liberal party and had lowered tariffs when he was Minister of Finance, he was always of the opinion that industrial development in Rumania had been artificially forced and was battening on the peasant.

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ing from the very extensive devastations of the war; the agrarian crisis and the world depression hurt agriculture all over the world; the agricultural protectionism of the European industrial states drove the east European nations toward industrial protection; from the middle of the 1930's the increasing menace of war led to a growing demand for heavy industries to supply armaments.

But despite all these external influences, there is still reason to believe that the relation of Rumanian agriculture to industry worked to the disadvantage of the former. Politically, of course, there is abundant evidence that industry was a far more promising source of funds than agriculture, and undoubtedly political and private interests worked to the benefit of industry. In 1927, G. D. Creangă observed, "The situation which before the war existed on the land, where a number of latifundiary owners retained the greater part of the agricultural revenue has now passed into the domain of trade and industry." [13] No doubt Rumania's need for industrialization was often used to camouflage private financial motives; in 1932 an English observer maintained that the high protectionist policy was not really designed to protect Rumania from the ravages of foreign capital but had been introduced "mainly because the Brătianu party aimed at reserving for themselves the monopoly of such profits as could be made through the exploitation of the national resources." [14]

In Rumania one can never be sure that such aims are not dominant. Nevertheless, the tension between industry and agriculture certainly involves more than the personal scramble for wealth and profits. The impulse toward industry was also intimately connected with Rumania's foreign commercial relations.

Commerce

Economic tensions on two levels have already been observed: between the peasant and the estate owner in the countryside, especially before 1914, and between agriculture and industry. Both were in some measure a consequence of Rumania's increasing involvement in the complex of world industry and commerce. It is now necessary to examine these external relations.

Rumanian foreign commerce was on a relatively small scale; in 1929, for example, the total value of imports and exports per capita was only one-tenth as great as that for Great Britain in the same

13. Quoted in Mitrany, *The Land and the Peasant in Rumania*, p. 575.
14. George Clinton Logio, *Rumania, Its History, Politics, and Economics* (Manchester, 1932), p. 126.

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511 —palatial villas and flats in the residential sections, large automobiles, yachting clubs, and Parisian fashions—were in startling contrast to the conditions in the countryside. While the employment of surpluses in unproductive expenditure is a characteristic of undeveloped economies, this tendency was somewhat aggravated in Rumania by the inheritance of boyar extravagance and by the traditional social chasm between the peasant and the ruling groups. To some extent the unequal distribution of income was derived from the pre-1914 oligarchic agrarian society, but a great deal of the actual wealth was gained through industry and finance and through state connections.[27] Unequal distribution was not reduced by the tax structure, which depended largely upon indirect taxes on consumption goods and only to a limited degree upon income taxes.[28]

511 434 The economic importance of this distribution of income is difficult to measure. Obviously a mere leveling out of incomes would not make the Rumanian peasant significantly wealthier. On the other hand, the diversion of the nation's relatively limited surpluses into nonproductive expenditure undoubtedly restricted much-needed investments in agriculture and industry. In general, the social significance of this inequality—its reflection of the deep abyss between town and country—was more important than the immediate economic effects.

● 433 In its broad features the Rumanian economy during the interwar years resembled that of the pre-1914 Old Kingdom. The addition of new territories increased the internal market and provided important resources and industries. With these advantages came the task of unifying the economies of the different provinces and of recovering from the war. On the international level, the situation was less favorable than before; world trade was more restricted, especially after 1931; the industrial states protected their agriculture; the supply of foreign credit was limited and fell off greatly in the depression. For these reasons, plus a mixture of economic and nationalist mo-

27. The importance of politics and government connections in the acquisition of wealth in Rumania is proverbial, partly because the government played such an important role in economic undertakings. In 1939 the capital invested in state economic enterprises was considerably larger than the total capital investment of all private commercial and industrial undertakings. Madgearu, *op. cit.*, p. 360.

28. In 1935/36 22.8 per cent of the total tax revenue came from income and other direct taxes; 12.3 per cent from taxes on property transactions; 12.1 per cent from turnover taxes; 44.9 per cent from consumption taxes; and 7.9 per cent from customs duties. PEP study (Political and Economic Planning), *Economic Development in S.E. Europe* (London, 1945), p. 21.

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tives, industrial expansion was fostered and while industry remained relatively small it displayed a rapid rate of growth.

In agriculture, on the contrary, there was general stagnation resulting from the interplay of a number of factors:

1) the growing pressure of population, which tended, in some regions at least, to nullify reforms and kept the per capita income at a low level;

2) the decline in European cereal commerce and the fall in grain prices after 1929;

3) the relative and perhaps absolute disadvantage of agriculture in internal commerce, allocation of capital, and government support;

4) what may be called the "residues" of the old landlord system: the persistence despite the land reforms of strip farming, extensive cereal cultivation, and, in an attenuated form, large estates, metayage, and labor contracts.

A vicious circle resulted. The peasant was unable to obtain credit because agriculture was a poor field for investment and was bound to remain so until it became more productive. Low yields were a function of primitive techniques, which in turn could not be improved without a reform in the organization of farming. The rational organization of farming was thwarted by the pressure of population as well as by government policy.

Despite the agrarian reforms of 1918–21, an independent small peasantry was not established; instead, dwarf holdings, insufficient to sustain a peasant family, predominated. So long as there was no alternative field of employment for peasants driven below the margin of subsistence, the appearance of a larger class of medium peasants by no means compensated for the increasing fragmentation and subdivision of the majority of peasant holdings. On the other hand, industry, which was regarded as a means of raising the level of productivity and of draining off surplus agrarian population, seems to have had the effect of reducing purchasing power and of aggravating the difficulties of the countryside. In general, one receives the impression that the Rumanian economy in attempting to lift itself by its bootstraps had merely driven the feet through the soles.

To be sure, it is uncertain just how much of this discouraging situation was a consequence of an internal maladjustment. Both in 1929 and in 1938–39 there was some promise of general improvement, but in both cases it was broken off, first by the depression and then by the outbreak of the Second World War. Perhaps under more propitious external circumstances these incipient improvements might

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● 433 have lasted and led to a general amelioration of the whole economy. It should be observed, however, that in each case the show of prosperity was based on a gamble. In 1929–30 it depended upon a high or rising level of prices, an unrestricted market for agricultural exports, and access to foreign capital. As soon as these conditions disappeared, the peasant as a debtor and Rumania as a debtor nation fell into serious difficulties. Similarly, the improvement in 1938–39 was intimately related to the economic advance of Hitler Germany, which was clearly directed to preparation for war.

The depressed condition of the Rumanian economy, which probably appears bleaker in retrospect with the sad knowledge of the disastrous culmination of the interwar period, had a twofold effect upon political activity. First, the chronic poverty and low level of economic life of the majority of the Rumanian people unquestionably undermined the fragile parliamentary foundations and fostered the survival of the traditional vices of political corruption. While Rumania was poor, its poverty was not simply that of a primitive community: sectors of the economy were advancing rapidly, partly at the expense of agriculture. Consequently, there was a great temptation to snatch at the available wealth through speculation, through monopoly, and through political influence.

Moreover, the obstinacy of the agrarian question and the difficulty of finding a satisfactory way out of the impasse contributed to the multiplicity of parties and programs. That is not to say that the confusion of Rumanian politics can be wholly explained by the economic problem or that the parties can be defined as consistent standard-bearers of different economic schools of thought; Rumanian politics were shot through with opportunism. But the complexity of the factors producing the agrarian problem led to a variety of opinions as to its solution. Since the agrarian reforms had not produced a healthy agriculture, had they gone too far or not far enough, or had they merely been mismanaged? Was further industrialization the ultimate solution, or had the forced growth of industry been responsible for the plight of agriculture? Was foreign capital indispensable to Rumanian recovery or was it a threat to the country's economic independence? Was agrarian overpopulation remediable through higher productivity or was emigration the only answer? [29] The dif-

29. Although the National Peasant party is reported to have contemplated mass emigration in 1929 (Logio, *op. cit.*, p. 165), this solution did not play a very important part in local politics, partly because it so flatly contradicted the ethnic nationalism of Greater Rumania. It has been regarded by some foreign observers, however, as the only adequate solution. Doreen Warriner (*The Economics of Peasant Farming*, p. 199), for example, concluded that "Without a redistribution of farm populations to regions

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ferent responses to these questions provide at least a thread of meaning to the welter of political controversies during the interwar period.

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outside Europe, Europe's farm problem cannot be solved in a way which can be reconciled with economic progress and political stability." Whatever the merits of emigration, it is a rather academic solution, given the increased barriers to immigration since the First World War. It is also doubtful in any event whether it could be on a scale large enough to balance population growth.

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the new territories away from Austria, Hungary, and Russia and into the domestic market. Most important, perhaps, they came to be an important source of fiscal revenue. Since they were payable in gold or foreign currency, they supplied the government with funds for foreign debt payments.[43] Between 1923 and 1926 they yielded a greater revenue than the import duties; the government was naturally reluctant to part with them. They had, however, an altogether depressing effect upon Rumanian commerce and upon agriculture. Since exports were really the sole means by which Rumania could improve its adverse balance of payments, these duties, in their effect of reducing exports, appear to have very little justification.

Export duties were dropped in 1927, and Vintilă Brătianu announced, "The progressive reduction of these taxes until their final suppression forms, as you know, part of our governmental program." At this time he took the position that Rumania was at last ready to move on to a new stage of activity. "If up to the present I have been obliged to perform the work of a doctor in healing the wounds of the past, I hope to be able to resume in the future my profession as engineer—which is to create." [44] Whether or not one accepts his assertion that the Liberals had planned these changes all along, it must be admitted that the Liberals were remarkably adept at reversing themselves and then assuming credit for farsightedness.

To summarize, the Liberals' policy for recovery was only in part successful. Despite an almost puritanical view toward the economy and the desire to improve "through ourselves," their program had a way of destroying on the one hand what it attempted to create with the other. The Brătianus' injunction that Rumania get a firm grip on itself seemed likely to lead to self-strangulation.

3. INDUSTRIALIZATION AND EXPLOITATION OF RESOURCES

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The Liberals not only tried to bring about economic recovery, they were also intent upon exploiting the natural resources of the country and creating a national industry, primarily by state encouragement. In 1927 Vintilă Brătianu defined the principal factors in the development of the nation's riches as "the state, professional chambers, official bodies, and private action, individually or in association." [45] A law for the encouragement of national industry, already passed in 1912, was extended to the whole of Rumania in 1921. Industries

43. Pasvolsky, *Economic Nationalism of the Danubian States*, p. 452.

44. Vintilă Brătianu, exposé de motifs for the 1928 budget, *L'Économiste roumain*, 3, No. 10 (December 1, 1927), 338.

45. *L'Économiste roumain*, 3, No. 4 (April 1, 1927), 83.

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665 433 covered by this law were permitted to purchase public land at a discount, were exempted from duties on imported machinery, and received reduced transportation rates and cheap fuel. In 1923 the Liberals introduced a National Industrial Credit Association for the purpose of granting credit to manufacturers and of encouraging industrial development; the government owned 20 per cent of its stock, the National Bank 30 per cent, and private investors 50 per cent. Tariffs, as has been mentioned, were designed to protect industry from foreign competitors.

665 656 In their industrial activities the Liberals most clearly demonstrated their suspicion of foreign capital. This suspicion was nothing new. In the 1890's the Liberals, then in opposition, had led a successful campaign against granting concessions to the Standard Oil-Diskonto Gesellschaft consortium.[46] In the 1920's they maintained they were not hostile to foreign capital but would not be dominated by it. In 1923 Vintilă Brătianu protested to a foreign correspondent:

> It would be madness to suppose that we can develop the country without the help of foreign capital. We need it in every form to develop mineral resources, water power, and industry. We also require things which must be paid for in foreign money. But we want this capital to operate within the lines of a general policy which is approved of by the state and which accords to the interests of the country. We do not want the type of investor who comes to exploit the country simply to make money, but one who has a feeling for our national evolution and keeps our interests at heart. We want to be treated as an adult and not as a minor.[47]

[671] Nevertheless, the Brătianus were accused both by the opposition in Rumania and by foreign investors of being economic xenophobes. The accusations are based largely on a series of four "nationalization" laws passed in 1924:[48] a law for the commercial exploitation of state enterprises (June 6, 1924), laws on water power (June 23) and other sources of energy (July 1), and a mining law (July 3).

These laws, which covered a wide range of industrial activities—hydroelectric power, natural gas, petroleum, mines, railroads, river navigation, postal services, telephones and telegraphs, and government monopolies—had generally the same provisions. Invested foreign capital in the enterprises could not exceed 40 per cent; the remaining 60 per cent was to be covered by state and private Rumanian

46. C. G. Rommenhöller, *Gross-Rumänien* (Berlin, 1926), p. 434.
47. *Times* (London), May 19, 1923.
48. A French text of these four laws is given in *L'Économiste roumain*, Nos. 2–6 (1924).

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was charged with bad faith. The National Peasants reprimanded the offending officials and maintained that such police brutality was an evil inheritance which they were attempting to eradicate. Such incidents are of importance here only in showing the tenacity with which old habits persisted under the new order.

The failure of the economy to rally provided the really vulnerable point for opposition attacks. The stabilization of the currency had given rise to overly sanguine hopes that money would become plentiful—the Bucarest Jockey Club on the strength of it had doubled its bridge points—but much of the funds went to paying old debts. Crops had been bad in 1927 and 1928, and one of the first tasks of the Maniu government had been to send relief supplies to Bessarabia. The 1929 harvest was excellent, one of the best in the interwar years, but exports were not great, and world grain prices were already beginning the long descent which was to continue until 1934.

The death in October, 1929, of one of the regents, Buzdugan, produced a typical Rumanian crisis. The Liberals contended that the two other regents should select the third member. The National Peasant assembly, however, elected the new regent, Constantin Sarateanu, thus laying the party open to the same criticism that it had made of the Liberals in the creation of the regency in the first place. Moreover, Maniu seems to have failed to inform some of the Peasant members of the person to be selected and rumors spread, assisted by wishful opposition thinking, that the Transylvanians were forming an inner cabinet in the government. The principal result of the regency affair, however, was to arouse general dissatisfaction over such an arrangement and to increase talk of Carol's return.

In 1930 the situation was even less favorable. Economic improvement failed to round the corner. The opposition press increased its polemics by publishing wild reports of Soviet mobilization on the frontier, Communist uprisings in Bessarabia, and the government's secret intention to devalue the leu. This technique, long familiar in Rumania, was designed to rattle the government into making a false step, and did succeed in driving it to pass a law establishing a prison sentence for persons found guilty of spreading tendentious rumors likely to damage the credit of the state. Under this law the government confiscated several newspapers.

The municipal elections of March, 1930, showed an increase in Liberal strength, as the National Peasants led only by two to one. In May by-elections government candidates were returned in five constituencies, but were defeated in Cernăuţi by a Ukrainian Nationalist

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2) the distinctly undemocratic implications of this evolution in economic ideas, at least in their Rumanian context.

It would be absurd to suppose that the actual development of Rumanian economic policy was based upon any such theoretical considerations, but there is a reasonably close parallel between the progress of Manoilescu's ideas and the development of the economic and industrial policy of the Rumanian government from that of the old Liberals under Vintilă Brătianu to that of the Liberal government of the 1930's. Although the old Liberals had favored a program of industrialization with state support, it was handled primarily through the private banks, controlled by the Liberals, and was directed chiefly toward extracting natural resources and creating secondary industries. Moreover, the tight-fisted fiscal policy of Vintilă Brătianu had served as a check on economic activity.

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After 1933 industrialization proceeded at a much more rapid tempo and in a somewhat different direction. The private banks after the depression played a less important part in financing industry; the principal initiative was by the National Bank or the state itself, both through state-owned corporations and through the growing importance of the state as consumer of industrial products. Expansion was most extensive in heavy industry; large cartels appeared and there was a notable concentration of industrial activity. Between 1933 and 1938 the number of "large" industrial concerns (i.e., with at least 20 workers and more than 10 horsepower) increased only from 3,487 to 3,767, whereas the installed horsepower increased from 529,965 to 746,789, and the employed personnel from 184,777 to 289,117.[24] The horsepower employed in capital goods industries increased from 287,266 in 1932 to 452,870 in 1937, as contrasted with a more modest increase from 237,442 to 289,666 in consumer goods industries. The output in quantity of capital goods had by 1937 increased by 57.4 per cent over the 1927 level, consumer goods by 45 per cent.[25] The production of steel, which had hit a high of 143,511 metric tons in 1928, and dropped to a low of 103,046 in 1932, rose from 144,766 tons in 1933 to 276,532 in 1938.[26] There was no doubt that the policy was directed toward heavy industry and was having results.

Two important reasons for this industrialization were, of course, the depression and the rearmament program. The collapse of the grain market and the spread of agrarian protectionism among the

24. Madgearu, *Evoluția economiei românești*, p. 149.
25. *Ibid.*, p. 160.
26. *Breviaire statistique de la Roumanie* (1940), p. 164.

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industrial states naturally stimulated Rumania, as it did the other Balkan states, to create its own industries. The growing international tension in the 1930's led to a heavy demand for arms and munitions. In 1937 the president of the Rumanian union of metallurgical and mineral industries stated that the principal characteristic of the years of recovery had been the large industrial investments, especially for the purpose of creating a powerful armaments industry.[27]

But if the depression and the demand for armaments stimulated industrialization, they in turn assisted in the rise of very powerful industrial interests, which progressively dominated not only the economic but the political scene.[28] These years witnessed the rise of such industrial giants—giants at least in Rumania—as Max Auşnit and Nicolae Malaxa. These men represented a different type of influence from that of the Brătianus. The latter, through their position in the banks, had equated the Liberal party with a policy of industrial advance through the financial institutions, but they were primarily politicians. Auşnit and Malaxa, on the other hand, were primarily industrialists who were able political manipulators but whose field of action was outside the political arena. It might be added that King Carol himself, who operated "outside" politics, was by no means disinterested in industrialization and had a large personal stake in the new industries.[29]

Rumanian industries, and especially the new heavy industry, required both protection and capital. Industrial protection had marked the whole history of Rumanian tariff policy, and even the National Peasant tariff of 1929 did not renounce it. But the new devices, developed as defenses during the depression, became far more potent weapons than any which had existed heretofore. Indeed, they were far more effective in assisting industry than in fulfilling their ostensible function of safeguarding national finances and the currency.[30]

27. Quoted in Pătrăşcanu, *op. cit.*, p. 26.

28. An example is the Skoda scandal of 1935, in which a storm was raised over a contract for armaments made by the National Peasants with the Czech Skoda works in 1930. Although an effort was made to involve some National Peasant ministers in charges of graft, the real cause of the scandal appears to have been that the contract had been made "without regard for the law concerning national armament activity."

29. For obvious reasons it is difficult to ascertain the extent of Carol's industrial interests. According to Pătrăşcanu (*op. cit.*, p. 48), in published reports of enterprises in which he was a shareholder Carol held 30 to 35 per cent of the shares of the Malaxa works, and almost as much in several smaller industries. Four of the largest sugar mills were in his hands, as well as a beer factory. He had important shares in the gold mines and the telephone company and a large control of Banca de Credit Român.

30. Rumania's exchange position and the leu never achieved any stability despite the most elaborate series of measures. I would agree with Antonin Basch's conclusion (*The Danube Basin*, p. 143) that the signal failure of Rumania either to achieve cur-

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from 2 to 10 billion lei (in quantity from one million to 2.2 million metric tons).

Two qualifications should be made however. The emphasis upon wheat exports and upon the improvement of quality was primarily for the benefit of the middle and large producer, though the maintenance of the price of grain did help agriculture as a whole. In the second place, as has been mentioned in connection with the depression, the premiums on wheat served to extend the area under wheat cultivation, in direct contradiction to the recommendations of agricultural experts, who continued to believe that "peasant agriculture should no longer limit itself, in imitation of the old system, to the culture of cereals; its success will come from a parallel development of the resources of the field and of livestock raising." [35] This contradiction, which shows the absence of any real coherence to the agrarian program of the Liberal government, had two obvious sources: wheat, for all its decline after the First World War, was important commercially and from the point of view of foreign commerce there was a strong incentive to support it. Moreover, the wheat growers were the larger farmers and were in a better position to make felt their wishes than were the small maize-producing peasants.

The government did, however, make certain efforts to increase the variety of agricultural production. The most elaborate was the creation, with the assistance of I. G. Farbenindustrie, of the "Soya" company, which was authorized to import soybeans, distribute them to cultivators, provide equipment, and purchase the entire crop for export to Germany. The area under this crop expanded rapidly, especially in Bessarabia: 1,465 hectares in 1934, 20,411 hectares in 1935, 58,037 hectares in 1936, and 102,000 hectares in 1937. The government through price guarantees and subsidies also furthered the cultivation of sugar beet, tobacco, rice, and textile plants.

These measures to diversify agriculture did not, despite all the publicity given to them, achieve very great importance. They were only a drop in the bucket compared with the vast area under peasant cereal cultivation, and their rate of expansion seemed unlikely to produce any general amelioration for a very long time. Moreover, the introduction of such industrial crops, whose main purpose—almost exclusively so in the case of soya—was for export, shows the persistent if natural effort to solve the agrarian question by a sort of legerdemain. The soybean had been an old favorite, and as early

35. G. Ionescu-Sișești and N. Cornățeanu, *La Réforme agraire en Roumanie et ses conséquences*, p. 79.

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241 as 1910 Dobrogeanu-Gherea had some harsh words to say of the
433 men who thought it could magically solve the deep-rooted ills of Ru-
654 manian agriculture.[36]

The Tătărescu government, following precedent, also reorganized agricultural credit and the cooperative system, set up more experimental stations, and devoted funds to the raising of better livestock and the purchase of tractors, but those measures seem to have been only of marginal benefit.

423 The government did try in the law of March, 1937, for the encouragement of agriculture to grapple with the problem of land tenure. It regulated the transfer and mortgage of rural lands and undertook to enforce the indivisibility of property as a means of preventing the progressive subdivision of peasant holdings. The effort was unsuccessful. The two-hectare minimum, which in any case was too small for a self-subsistent holding, was not observed; the prohibition extended only to properties obtained from the state or with the state's assistance. An attempt was also made to promote the consolidation of peasant properties, but this met with too great opposition in the chamber and was dropped.[37] The government also exerted its right of preemption on sales of agricultural land for the purpose of providing land for the peasants but its achievements were insignificant. Between April 1, 1934, and August 1, 1938, of the 326,200 hectares put on sale the government used its right of preemption on only 12,250 hectares, 3.8 per cent of the total.[38]

241 In brief, if the position of agriculture was somewhat better in the
654 years of the Tătărescu regime than in the depression it was largely
656 a consequence of general economic recovery. Agriculture did benefit from the protective measures applied and extended by the government, although part of these benefits was lost by the continued depreciation of the leu, and some efforts were made to raise the level of agriculture and diversify production. Nevertheless, the government's chief interest was industry and commerce and the principal benefits to agriculture were those which corresponded to this interest. The desperate problem of the millions of small peasants owning less than 3 hectares, unable to support themselves and their families, dividing their land into smaller and smaller fragments, suffering from pellagra —this problem was scarcely touched.

654 It must be said, however, that in the 1930's there was a notable
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36. C. Dobrogeanu-Gherea, *Neoiobăgia*, p. 254.

37. Valeriu Bulgariu, "Divizibilitatea proprietăţii ţărăneşti," *Problema agrară* (Bucarest, 1946), pp. 77–97.

38. G. Ionescu-Sişeşti, "Le Nouvel Aspect du problème agraire en Roumanie," *Archives pour la science et la réforme sociales, 16*, Nos. 1–4 (1943), 264.

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many's increasing monopoly over Rumanian trade and hoped to keep the door open for other markets.[23]

Apart from these important qualifications, however, he expressed his approval of Germany's program for Rumania, the intensification of agriculture, the creation of agricultural industries, and the establishment of mixed companies for mining and petroleum. In general, he seems to have regarded Rumania's increasing economic ties with Germany as largely in the nature of things and only secondarily as a result of policy: "This situation is not so much the result of a crystallization of policy as a change in the structure of the Rumanian economy, which gradually with the advance of the process of industrialization diminished the degree of complementarity with a series of countries and increased it with regard to one alone—Germany." [24]

Although it may seem surprising that the German policy embodied in the agreement of March, 1939, should have more in common with the economic aims of a National Peasant than with a pro-Axis corporatist, the reason is obvious. The National Peasants, believing in economic interdependence and the international division of labor, disapproved of fostering Rumanian industry at the expense of agriculture.[25] Germany, for its own reasons, desired the Balkans to increase their agricultural production and to stay away from secondary industries. On the other hand, Manoilescu's industrial ambitions were unwelcome to the Germans because of their similarity to German aims, a case of like poles repelling. This antagonism arising out of an attempt at similarity is a characteristic of Rumanian history. The earlier effort of the Liberals to emulate the West had led to the economic xenophobia of the Brătianus.

The success of the German-Rumanian agreement could have been measured only after a number of years of peaceful development; it may be doubted whether the results anticipated could have been achieved in the five years of the agreement. But such a peaceful period was not to be granted. In the year after the inauguration of the five-year plan Rumania had lost one third of its territory, Carol had fled the country, and Marshal Antonescu had joined Hitler's war against the Soviet Union. The territorial losses alone severely disorganized the economic program. By the loss of Bessarabia, Northern Bucovina, Northern Transylvania, and Southern Dobrogea Rumania was deprived of 34 per cent of its total area, 37 per cent of the arable land,

23. Madgearu, *Evoluția economiei romînești*, pp. 372–374.

24. *Ibid.*, p. 301.

25. For somewhat analogous reasons, at the time of the First World War several Rumanian populists had been pro-German because they saw Germany as the industrial complement to Rumania's agrarian society.

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311 44 per cent of the forest land, 27 per cent of the orchards, and 37
433 per cent of the vineyards. Of the area devoted to wheat (as of 1939) it lost 37 per cent, to maize 30 per cent, to sunflower 75 per cent, to hemp 43 per cent, and 86 per cent of the area devoted to soya. The regions, chiefly Bessarabia, in which the new industrial crops had been most intensively cultivated were lost. Finally, the whole economy was put on a war footing, first for Germany and then for Rumania itself.

185 Notwithstanding all Carol's laws and decrees, no real solutions
433 were found to the agrarian question. It is illuminating to look through the volumes of the *Enciclopedia României*, published in the last years of Carol's reign as a monument to the Rumanian rebirth. Amid all the fanfare of Rumania's marvelous progress and glowing future, the articles on agriculture and land tenure strike a discordant and often deeply pessimistic note.

To be sure, the trend in the 1930's was toward increasing industrialization as the solution to Rumania's economic difficulties, and in the long run, had the war not intervened, this might have brought beneficial results even to agriculture. As it was, however, much of the industrialization was achieved at the expense of agriculture, and for all its expansion it was neither bringing agriculture any great technical improvements nor beginning to absorb the excess agricultural population. The five-year plan and the laws to rationalize land tenure and consolidate holdings might have provided a healthier foundation for agriculture had they been carried out conscientiously, but there is little evidence that they meant anything more than many previous legislative acts which clutter the Rumanian statute books. It is doubtful whether the peasant would have benefited greatly from a plan ordained by divine providence if it had been left to the Carol administration to execute it. With all its attacks on "outworn" parties and its praise for the younger generation, the Carol dictatorship lacked the stature to be a modernizing dictatorship along the lines of Kemal Ataturk's regime. The new German orientation might have benefited Rumanian agriculture, but given the power relations it is more likely that Rumania would have become the object of an efficient colonial policy.

654 Among the social studies undertaken in the period of Carol's dictatorship there was one which makes a fitting conclusion to the Carolist period, and indeed illustrates the failure to master the agrarian question during the interwar years. In the summer and autumn of 1939 a Rumanian research team made a field study of the *plasă* (an administrative unit in a judeţ) Dâmbovnicul, in the south of the

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433 The inventory of other agricultural equipment was more or less sta-
241 ble or showed a slight decline.
185 For all the controls and economic collaboration with Germany the Antonescu dictatorship appears to have accomplished nothing for Rumanian agriculture. The relative improvement, at least in terms of total production, which had appeared after the depression was broken by the war. The position of peasant agriculture was clearly deteriorating, and the industrial boom, arising mainly from war demands, was not an adequate compensation.

Although pessimistic voices could be heard in the Carolist dictatorship, the official attitude was optimistic. During the war years, however, there was increasing concern over the manifest failure of Rumanian agriculture to show any improvement. The agricultural census, taken in the spring of 1941, provided ample evidence of the unsatisfactory situation of the peasant. The veteran agricultural economist, Ionescu-Sișești, who had been writing confident articles throughout the interwar period, was quite gloomy in 1943.

> It was anticipated that such a gigantic transformation of property [the 1918–21 reforms] would keep the peasant class in a state of equilibrium for a long time and that the country would benefit from a long period of prosperity because of the distribution of land to the peasants. Unhappily this hope has not been completely realized. Today, when all the claims of the peasants appear satisfied, and there is nothing left to distribute—since a minimum of large and medium property is indispensible—a new peasantry is appearing which threatens to take on a grave character if measures are not adopted in time. The very rapid growth of the population and the advanced fragmentation of properties are engendering this crisis.[24]

His recommendations, however, were largely a recapitulation of the various measures which had been legislated, if not applied with any consequence, in the 1930's: exerting the state's right of preemption, preventing subdivision of properties below a certain minimum, encouraging consolidation, and creating larger colonization holdings. If such steps were taken, he said, "the peasantry will be divided into two categories: on the one hand, peasant proprietors with holdings of an adequate size, on the other, a class of agricultural workers living on the product of their labor on the farms of others."[25] Ionescu-Sișești's hopes were not to be realized. Within a year and a

24. G. Ionescu-Sișești, "Le Nouvel Aspect du problème agraire en Roumanie," *Archives pour la science et la réforme sociales, 16,* Nos. 1–4 (1943), 263.
25. *Ibid.,* p. 267.

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half the Communist party was in power and the last thing it wanted was such a "Stolypinist" situation in the countryside. 433 241 185

From the point of view of dramatic unity, the Antonescu dictatorship would make a convenient terminal point for recent Rumanian history, as the last act of a rake's progress. With a state encompassing virtually all Rumanians, a new constitution, and an extensive land reform, Rumania had entered the interwar period full, it seemed, of high promise. The promise had not been fulfilled, democracy did not flourish, the peasantry remained poor but prolific. The constitutional regime was replaced by a royal dictatorship and then by the *Walpurgisnacht* of the Iron Guard. Finally, Rumania was swept into the war to join Hitler's crusade. History, however, is no respecter of dramatic unity but persists in its devious course.

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already enjoys virtually complete control over the country. Moreover, while the Rumanian political and economic structure is steadily approaching, and probably not asymptotically, the Soviet model, the final decision on incorporation will be based—apart from considerations of expediency—on political definitions which a mind not steeped in Leninism-Stalinism would have small chance of foreseeing.[20]

Economic Conditions

Economic developments since 1945 may be divided into two periods: two years, 1945–47, of confusion and distress resulting from the war, Russian withdrawals, severe drought, the agrarian reform, monetary inflation, and the unsettled political situation; since 1947, a period of greater stability, an apparent increase in production, and the beginning of a directed and planned economy. In neither period can one obtain a very satisfactory picture of economic conditions. In the first months there was much administrative disorganization, and the government itself frequently lacked accurate information. The Groza regime has not hesitated from the outset to manipulate statistics for political and propagandistic purposes. Since the tightening of the administration in 1948, Rumania has been as reluctant as the Soviet Union, more reluctant than the other satellites, to publish any measurable economic data. Today, the few figures that appear are given as percentage gains for which it would be exceedingly difficult to supply a reasonably accurate base.

In general, it may be said that Rumania was slower than the other eastern European states to recover from the war, in somewhat the same way it lagged in coming out of the depression. Agricultural production fell off seriously in 1945 and 1946, partly because of the disorganization attendant upon the agrarian reform, but largely because of two years' serious drought. Both the acreage sown and the crop yields, especially in maize, the peasant's source of food, were exceptionally low; in 1946 the level of agricultural production was only 59 per cent of the 1934–38 average.[21] The production of indus-

20. This point is not very important but it is of interest to note that in the exchange of notes leading to Tito's expulsion from the Cominform in 1948, the Central Committee of the Communist party of the Soviet Union, after referring to Kardelj's hope, expressed in 1945, that the Yugoslav government would be regarded as the representatives of one of the future Soviet republics, rather scornfully dismissed his "primitive and fallacious reasoning . . . about Yugoslavia as a future constituent part of the USSR." It did not, however, vouchsafe its own authoritative views on the subject. Cf. Royal Institute of International Affairs, *The Soviet-Yugoslav Dispute* (London; New York, 1948), p. 39.

21. United Nations, Department of Economic Affairs, *Economic Survey of Europe in 1948* (Geneva, 1949), p. 17.

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trial and food crops fell successively in 1945 and 1946, and it is to be noted that the soybean, so extensively advertised in the 1930's, virtually disappeared as a crop when the peasants were left to their own devices.

The absence of accumulated stocks of grain, the large deliveries to Russia under the armistice, and the failure of the maize harvest in 1946 produced a disastrous and tragic famine, above all in Moldavia, in the winter and spring of 1947. Relief shipments had to be brought in from abroad, including substantial assistance from the United States.

The livestock position, while improving over the situation immediately after the war, was still weak by 1948. There were, in that year, 30 horses and 138 oxen (including buffaloes) per 100 agricultural exploitations as against 56 and 150 respectively in 1941; in terms of cultivation, there were 21 draft animals per 100 hectares of arable land in 1948 as against 27 in 1941. The quantity of agricultural equipment showed less diminution: an increase in the total number over 1941 was matched by a slight decline in the amount of equipment per exploitation, a result presumably of the increase in small holdings after the 1945 reform.[22]

Rumanian industry, which had expanded under wartime demands, registered a decline in 1944 and 1945, but a slight recovery in 1946. According to the Ministry of Finance, total industrial production was 80 per cent of the 1941 level in 1944, 60 per cent in 1945, and 77 per cent in the first ten months of 1946.[23] The chemical, metallurgical, and food industries were the most severely hit. The petroleum industry, which appears to be facing an exhaustion of the tapped fields, had already showed signs of decline before the war; in 1947 the output of crude petroleum was 3.8 million tons as against 8.7 million in 1936 and 5.8 million in 1940.

In addition to the slump in agricultural and industrial production, the Rumanian economy suffered from the flow of goods to the Soviet Union. The total value of Rumanian wealth transferred officially or unofficially, as restitution, reparations, or war booty has been the

22. A. Golopenţia and P. Onica, *Recensământul agricol din Republica Populară Română, 25 Ianuarie 1948. Resultate provizorii*, Institutul Central de Statistică (Bucarest, 1948).

23. Rumanian Ministry of Finance, *Expunere de motive la bugetul 1947/48*, p. 338. The validity of these figures is uncertain, and they may represent an inflated estimate. Tătărescu is reported to have said in 1947 that after two years of the Groza regime the general level of production was only 48 per cent of the 1938 output. *New York Times*, June 6, 1947.

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subject of a number of heated disputes at international conferences, and it would be very difficult to make a reliable estimate.[24] That the drain was serious is indicated by the fact that as early as 1945 some Rumanian Communists, with more than the average amount of economic insight and less than the usual blind devotion to the Soviet Union, were in despair over the effect of the Russian withdrawals upon the country's economy and their own political position. The glaring contradiction between Russia's efforts to woo Rumania and to secure some measure of popularity for the Communist party and its rather frantic removal of goods and equipment has puzzled many observers. The explanation may simply be that the policy of this monolithic state was not consistent, or rather, that two different policies were here overlapping.

Rumania's foreign trade was greatly reduced after the war; by 1948 the value of its exports was only 50 per cent of the 1938 figure (in 1947, 21 per cent), and its imports 69 per cent (in 1947, 57 per cent).[25] The bulk of the trade was with the generally similar economies of the other eastern European states, which were being increasingly linked by a network of trade agreements.

The combination of low output, armistice obligations and war costs, and the general political uncertainty of the postarmistice months led to a fearful inflation. Rumanian currency had never been sound since the First World War and had showed a tendency toward inflation in the 1930's and the war years; between 1945 and the summer of 1947, when a drastic stabilization was achieved, prices rose to dizzying heights. The cost of living index increased from a base of 100 in 1938 to 145.0 in 1940, 413.9 in 1943, 3,678.7 in 1945, 46,140 in December, 1946, and 525,688 in July, 1947.[26]

24. At the time of the Paris Peace Conference the American delegate, Willard L. Thorp, complained that the Rumanian delegation had been of no assistance in supplying information on this point, but he estimated that the total cost to Rumania of its defeat would be about $2,000,000,000. As of 1946 he estimated that about $1,050,000,000 had already been transferred: $325,000,000 for the maintenance of occupation troops, $100,000,000 for reparations based on the 1938 price level, $175,000,000 for property restitution, and $450,000,000 for requisitions. U.S. Department of State, *Bulletin, 15*, No. 379 (October 6, 1946). In July, 1948, General Radescu, in exile in the United States, stated that since Thorp's estimate Rumania had paid an additional $735,000,000. *New York Times*, July 18, 1948. Some attempts have been made to relate these withdrawals to Rumania's national income, but both figures would by necessity be exceedingly uncertain.

25. United Nations, Department of Economic Affairs, *Economic Survey of Europe in 1948*, Table XVI.

26. Institutul Central de Statistică, *Comunicări statistice, No. 19* (Bucarest, January 31, 1948).

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185 241 Western model, but during this first period, to avoid alienating the peasants, it held its hand.

185 433 A somewhat similar situation obtained in the question of industrial policy, though here official propaganda was much more hostile to exploiting industrialists. So long as the Tătărescu Liberals were in the government, it called for the cooperation of private capital, and the only important step taken in this first phase was the nationalization of the National Bank. As late as March, 1947, Mihail Ralea, Rumanian Minister to the United States, protested against rumors that the government was proceeding against private enterprise and maintained, either disingenuously or without information (Ralea was not a member of the Communist party), that one of the main goals of the Groza regime was to "foster private initiative," to which it granted complete freedom.[30] Nevertheless, in practice the sphere of private industrial activity was increasingly circumscribed and restricted by a number of devices: obstructive action by the workers, appeals to the national interest, or simply charges of inefficiency and sabotage.

439 Perhaps the most significant economic innovation in the months after the armistice was the creation of a number of joint Soviet-Rumanian enterprises. On May 8, 1945, the Rumanian government signed an agreement with the Soviet Union providing for extensive economic collaboration. The U.S.S.R. was to assist Rumanian agriculture by supplying tractors, seed, and agricultural experts. A number of SOVROM companies were set up in the important fields of river and air transport, banking, lumbering, and oil production and refining. (A 1948 trade agreement created two new SOVROM companies for the manufacture of tractors and chemical products.) Participation in the companies was on a 50–50 basis, and the Rumanian state was to grant them special privileges and monopolies. Much of the Soviet capital was quite easily obtained from the German assets in Rumania, awarded to the U.S.S.R. in the Potsdam agreement. These concerns clearly gave the Soviet Union a controlling position at key points in the Rumanian economy.

This form of economic collaboration was reminiscent of the Rumanian-German trade agreement of 1939. The principal difference lay less perhaps in the agreements themselves than in the structure of the Soviet and German economies. Under the German-Rumanian agreement the two economies were seen as complementary, and the major function of Rumania was to provide raw materials; the Germans showed some hostility to the further development of Ru-

30. See his letter to the *New York Times*, March 12, 1947.

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TABLE XXXI. RUMANIAN INDUSTRY

A. Distribution of Industries with More than Twenty Employees, 1938

	Number	Capital Invested (1,000 *lei*)	Horsepower	Personnel	Salaries (1,000 *lei*)	Value of Output (1,000 *lei*)
Food	974	10,773,000	137,018	38,736	789,919	15,577,444
Textile	640	8,230,382	79,561	74,077	1,798,766	14,691,948
Chemical	397	12,325,308	183,393	28,298	1,196,853	14,154,605
Metallurgic	366	8,466,368	152,147	51,321	1,847,665	11,362,803
Wood	718	2,273,553	64,121	43,326	860,423	3,583,563
Leather	158	1,025,357	13,415	13,366	450,351	3,437,533
Paper	157	3,577,369	53,366	15,222	656,410	3,088,518
Construction materials	258	2,493,447	56,563	15,104	421,624	1,959,621
Electrotechnic	31	199,837	2,958	2,684	94,281	674,620
Glass	39	561,446	3,216	5,691	141,109	527,135
Ceramic	34	143,322	1,031	1,652	39,592	148,948
Total	3,767	50,069,389	746,789	289,117	8,301,610	69,206,738

SOURCE: Virgil Madgearu, *Evoluția economiei românești după războiul mondial* (Bucarest, 1940), p. 146.

B. Expansion and Concentration of Rumanian Industry, 1927–38

	Number of Enterprises	Horsepower	Personnel	Index of Production (1929 = 100)
1927	4,097	463,436	214.052	85.2
1928	3,966	472,271	206,547	94.9
1929	3,736	497,963	201,184	100.0
1930	3,646	492,715	174,227	97.3
1931	3,524	496,059	152,309	96.7
1932	3,557	514,743	152,198	81.8
1933	3,487	529,963	184,777	100.9
1934	3,509	558,468	208,240	126.0
1935	3,613	582,946	280,717	123.8
1936	3,553	579,543	260,934	131.0
1937	3,512	722,638	278,918	137.4
1938	3,767	746,789	289,117	156.2

SOURCE: *Ibid.*, p. 148.

313 the small industries of the remoter upland districts. It is particularly important in the wood and pulp and paper industries, and in the small textile and pottery works. Charcoal is still used for smelting.

377 ELECTRICITY is mainly generated thermally, in spite of the great potentialities of water-power provided by the rivers from the Carpathians, not to mention the Danube current. Lack of natural reservoirs in snow-field, glacier and lake means that exploitation of the hydro-electric resources would entail enormous capital expenditure in the construction of reservoirs. The sum total of direct water-power used must, however, be very great, for the number of water-wheels is legion.

317 SALT is another asset of real importance. Like the mineral oil, it is found in greatest abundance, and is most accessible, in the upper Tertiary deposits of the sub-Carpathians, in the region of greatest disturbance. Sometimes it is exposed in cliffs, sometimes it is covered with thin layers of loam. Salt mines are being worked at Slanic, at Targu-Ocna (Tergu
316 Ocnei) in the Trotuş basin, and at Ocnele-Mare (Ocna) on the Olt. In 1932 the amount extracted was 288,000 metric tons, of which 240,500 tons were for home consumption, the rest being exported to the Balkan countries and to Russia. Salt mining and marketing are state monopolies.

IN iron ore Roumania is not rich, the output being only about 90,000 tons per annum. The most important deposits lie in the mountains of the Banat and in the Poiana Ruscai (Ruszka) massif farther north, between the Mureş and the Bistra (Bisztra) tributary of the Timiş (Temes). The Reciţa (Reciţa Montana) district in the Banat mountains, opening towards Hungary, has foundries and steel works employing about 15,000 hands.

WITH the recent rise in the price of gold, the mining of that metal, which formerly was almost negligible, has become more active, and the output reached nearly 4,000 kgs. in 1933. The ore is mined in the Trachyte massif of the Bihor.

● 433 IN SPITE of considerable advantages in natural resources, and solicitous nursing on the part of the State, particularly in the Old Kingdom, industry in Roumania is still in its

433 infancy. The mass of the people—the peasants—still supply
[294] their own modest wants almost entirely. The women make, in their own homes, the garments required by the household for summer and winter, using home-spun wool and home-woven cotton. A village expert fashions the leather embroidered coats worn by men and women alike. In the mountains, often the foot-gear is still of local manufacture. (Hats and shoes are mainly imported from the town, how-
342 ever.) Houses are made of locally-felled and sawn timber, and all the household utensils and furniture, except the crockery, are made in the village.

256 THERE is little accumulated capital in the country, and it is
273 natural that modern industrial developments should tend to be based on local raw materials and traditional skill. Home-grown wheat, maize and barley feed the flour-milling and brewing industries which are well developed. There are about 400 large flour mills, steam driven and capable of producing graded flour. These are mainly in the Old Kingdom and grind wheat chiefly. The wheat districts of Bessarabia and Bucovina have a number of modern mills, as well as a large number of windmills, but the maize districts still use the old-fashioned water-mills, which can only grind coarse meal. The brewing industry has been encouraged by the government, partly with the idea of reducing the consumption of the potent alcoholic beverage, "ţuica", which the peasants distil from plums. Most of the breweries are either in Bucureşti and Iaşi or in one of the larger Saxon towns of Transylvania. Potato and maize spirit are made on a large scale, particularly in Transylvania, for export.

323 FOR POTTERY MAKING the Dobrogea supplies a good kaolin, but the industry has not reached a high stage of development, although the ancient peasant pottery has much merit in form and decoration. This is due in part to lack of suitable fuel for the furnaces.

339 WITH the acquisition of Transylvania, Roumania has become independent in the matter of that most important constructional commodity, cement.

288 THE TEXTILE INDUSTRY is still backward. The post-war development is chiefly in the Banat, where, under protection, silk, artificial silk, cotton and wool have made

563 ironically remarked the "Adeverul," "of dealing with
661 the woes of Bessarabia consists of appointing a Minister for Bessarabia at Bucarest, while a Bessarabian whose sole qualification is that of having published a book of poems is nominated to the post of Under-Secretary of State to the Ministry of Commerce and Industry. This is the government's conception of putting a stop to the agitation in Bessarabia, but alas ! the satisfaction of two vanities does not mean that the problems appertaining to the region between the Pruth and the Dniester are approaching solution."

In another article the "Adeverul" takes the Government to task for creating fresh sinecures and sarcastically exclaims that Bessarabia must be happy since she has now two ministers. The Government felt constrained to declare that these two new posts would not create a very heavy additional charge on the budget as it had arranged that the Governor of Bessarabia would give up his salary to his new colleague, but the "Adeverul" retorted that if the Governor gave up his salary, he being a general, would draw a pension, so that there would still be an increase in expenditure, all the more so, since a salary had to be provided for the new Under-Secretary to the Ministry of Commerce and Industry. That the creation of posts for new under secretaries of State is highly unpopular may be seen from a report of a sitting of the Senate early in April, 1932, when Senator Banescu formally demanded the abolition of five such posts declaring that it was a shame to create new charges when the State had not the means wherewith to pay its pensioners. The Opposition was reported to have loudly applauded him, shouting "it is tragic, people are dying of hunger."

433 The dissatisfaction existing in Bessarabia has been intensified through the economic crisis which had become endemic in that province since its separation from Russia, and which the Rumanian authorities so far have done nothing to alleviate or to assuage. Bessarabia was one of the most fertile and productive provinces of the Russian Empire, the latter providing a ready market for Bessarabian produce. Its orchards and vineyards were famous and provided annually some 28,800 tons of fruit of a value of 5 milliard

lei which was absorbed by Russia. Through the latter country an annual surplus of over a million tons of cereals was also marketed, as an excellent network of railway lines connected Odessa and the chief towns of Russia with Bessarabia. Further, under the Russian régime credit facilities were obtainable and a capital of some 10 million roubles or 10 milliard lei was at the disposal of the agriculturalists, while now it is reckoned that the Rumanian banks do not dispose of even 1½ milliard lei for this purpose, and in spite of the fact that the present requirements of the population are incomparably greater, since with the breaking up of the large estates, it was indispensable to provide the peasantry with funds wherewith they might buy implements and cattle for their farms.

It would appear that any civilized government, however vague its conception of its duty might be, would have proceeded to endow this province with a network of roads and railways to aid the population by thus facilitating the transport of its produce to the ports, since Odessa, the former outlet, is no longer available for this purpose. But strange to say, the Rumanian authorities have done nothing whatever; though even the construction of a few short connecting lines permitting a partial reorientation of the existing railway tracks and the construction of a grain elevator at the Danubian town of Reni would have gone a long way to relieve the strain. Even the deepening of the bed of the Pruth as far as Ungheni might have provided cheaper transport facilities to a large percentage of the available grain, which was often left to rot in the fields because overland transport charges, in the absence of roads, were found prohibitive.

Even out of mere solicitude for the safety of the State the Rumanian government ought to have provided means of communication whereby its army might in an emergency be concentrated on an ever-exposed frontier, in a region where a perpetual state of war exists. But even this weighty consideration has not sufficed to rouse the Bucarest Government from its self-complacency. There are, of course, persons who would explain the continual agitation brewing in Bessarabia and the predilection of its inhabitants for Russian rule by the assertion that these dunces of Moldovans (as the

maritime and fluvial shipping companies, the docks, ports, warehouses, and grain elevators of Braila, Galatz, and Constantsa.

Laws were drafted aiming at the commercialization and exploitation, either independently or in co-operation with the State, of these State-owned properties, as well as of other national resources. But the purpose which actuated the entire economic legislation enacted by the Bratianu Governments was that of preventing foreign capital from acquiring a dominant position in the country. This policy of restraining the activities of foreign capital by legal restrictions was not due to the fact that Rumania might be imperilled by foreign capital securing a preponderating influence, but mainly because the Bratianu party aimed at reserving for themselves the monopoly of such profits as could be made through the exploitation of the national resources. The direct result of this policy was to sink whatever Rumanian capital existed in big enterprises, while agriculture was entirely neglected, and to deplete completely the liquid assets of the country to such an extent that its credit organization was dislocated.

It is sad to record that during the years when there was a plethora of capital seeking investment which could have been easily attracted to Rumania with the object of endowing her with an adequate equipment for the development of her immense resources, such narrow and selfish views should have prevailed among her rulers. Indeed, had the opposite policy been adopted it would have secured prosperity to her even during the lean years which are now upon us. Foreign capital naturally fought shy, and refused to be enticed into enterprises in which it was not allowed to exercise legitimate control, which in many instances would have proved both salutary and indispensable. Rumania's natural wealth certainly provides a basis for industrial activity, there is an abundance of raw material, fuel, as well as a supply of cheap labour, but there is a serious deficiency of capital, which is reflected by the high rates of interest prevalent. Commercial bills were discounted at rates varying between 18 per cent and 30 per cent, and first mortgages were concluded on the basis of an average interest of 20 per

cent. It can easily be understood that no enterprises could possibly bear the burden of such interests, and that if foreign capital was to be excluded it would be necessary to have recourse to artificial encouragements in order to create and foster the industries it was contemplated to set up. Protection in its extremest form, therefore, was resorted to, and a tariff wall, the highest in Europe, was erected to protect the budding of these hot-house industries. In order to start a new industry the theoretical case for Protection is admittedly strong. Temporarily the new industry needs help, and eventually the country as a whole may gain from its creation, though in the meantime it has to bear the burden. The immediate effect is to increase the costs of the various articles produced locally to an extent that places them beyond the reach of a poor community such as the rural population of Rumania. The repercussion of an increase in the costs of articles required by the agrarian population naturally causes a rise in the costs of production of agricultural produce, which renders less easy its marketing in neutral markets in which the Rumanian peasant can neither enjoy nor demand the favour of a protective duty. So that eventually protection has proved an arm which has turned against him. In the case of Rumania, most of the industries which have been created proved to be clearly detrimental to the State. Certainly the textile industries, which import the totality of their raw material in the form of yarn from abroad, confer no benefit except to their proprietors. The raw material is usually allowed free admission, or pays a very light duty, while the finished article is sold at a price corresponding to that of a similar foreign product on which a duty amounting to as much as 300 per cent is occasionally imposed. Almost the whole of the difference is pocketed by the manufacturer, and the native purchaser gets no benefit whatever. On the contrary, he usually gets an inferior home-made article at almost the same price as he would pay for a foreign one generally of better quality. In this arrangement the State is deprived of a very important source of revenue since it desists from collecting the tariff dues it would otherwise have received if, instead of raw materials imported free, foreign dutiable manufactured articles had been imported.

for the paper necessary for their pamphlets and newspapers, while the Bratianus' Press organs naturally enjoyed preferential rates. Another deplorable result of this monopoly was the high cost of books. The same book published in Bulgaria cost about half as much as in Rumania, and this explains to some extent the high percentage of illiterates in the latter country, which according to the *Lupta* of May 18th, 1932 reached as high a percentage as 70 per cent of the total population. The creation of industries, the raw material of which is not indigenous, is likely in the long run to prove extremely wasteful. They are clearly of a parasitic nature, and their maintenance will not only continue to be a charge on the Revenue but is likely to continue to handicap very seriously Rumania's staple industry, agriculture. The initial costs of installation are necessarily high, for foreign experts have to be called in to set up the machinery, supervise, and train the native workpeople, since there is a lack of experienced workmen. Moreover the stringency of monetary resources and the high rates of interest ruling necessitate a high return on capital that can be secured only by selling the manufactured article at the highest possible price, a level which is usually fixed by the cost of the corresponding foreign article, on which a heavy duty has been imposed. The high prices will forcibly curtail output since the latter is adjusted to the capacity of the local market, the possibilities of which are restrained owing to the low buying power of the peasantry. The more consumption is reduced the more manufacturers will endeavour to recoup themselves by further raising their prices, which can be attained only by increasing the protective duty. Thus a vicious circle is created, to the great disadvantage of the peasantry, who constitute 80 per cent of the population and who have to defray in the same proportion the expenses of these experimental attempts to industrialize Rumania. It is obvious that the high prices paid by the peasantry for manufactured articles affect adversely the cost of agricultural produce; even the transport rates of the latter stand high in order to compensate for the low preferential rates granted to local manufactures. One need not, therefore, be surprised if Rumanian agriculturalists can no longer market their pro-

duce remuneratively on the basis of present world prices. At first sight it would appear that the simplest solution would be the abandonment of the present policy. An alleviation of the burden imposed on the peasantry would reduce drastically their costs of production and would better enable them to adjust the price of their produce to the prevailing world prices. If capital were withdrawn from industry and applied instead to the improvement of the means of cultivation, or to the diversification and intensification of agricultural production, Rumanian agricultural produce would be in a better position than at present to meet competition in neutral markets. It is true that as a result of the present tendency among industrial states to develop their own agricultural resources, and to curtail imports of agricultural produce by raising their tariff barriers, agrarian countries find it increasingly difficult to market their produce. Yet there is a possibility for the latter to secure regular markets if they would give up in exchange their attempts at general industrialization; and it is surprising that so far no understanding has been arrived at on these lines between industrial and agricultural countries, both parties persisting in a policy that is mutually ruining them. The adherents of the policy of industrialization partly explain their attitude by the necessity of severing all connection with former enemy states like Hungary, since the latter country would use commercial intercourse to further its irredentist propaganda in the territory which has reverted to Rumania. It is also partly explained by the necessity of making the country as self-supporting as possible so as to render it independent of foreign help in case of another war. So military considerations also tend to intensify economic nationalism, and as the military are fairly powerful and can make themselves heard there is little hope of a change in the policy which is being pursued. This policy of economic nationalism seems therefore to be, on the one hand, the direct outcome of the unbridled nationalism actually existing, and on the other, the result of a surreptitious understanding between politicians and profiteers to despoil the public, as the *Cuvantul* points out in the article quoted a little higher.

There are of course men of independent character who

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000 view this question from another angle, in whose conception political and economic domination have become identified and to whom the policy of economic nationalism appears to offer the best safeguard for their country's independence. Industrialization has also certain partisans, who draw their arguments in its favour from rational grounds. Their most vociferous spokesman appears to be M. Manoilescu, a former Sub-Secretary of State in General Averescu's Cabinet in 1926, and later a member of the National Peasant Government and subsequently that of M. M. Iorga-Argentoianu. He withdrew from this post in order to secure a more stable office, that of the Director of the National Bank. He seems to have made a miscalculation, however, as he fell out with M. Argentoianu, the Minister of Finances, and had to give up his situation, not without protests and a lawsuit. M. Manoilescu was Rumanian delegate at the Second International Economic Conference held in Geneva in 1930, in the course of which he set forth the disadvantages under which agricultural States laboured in comparison with industrial communities, and emphasized the advantages which the former would derive by attempting to industrialize themselves. His arguments were based on the following figures he himself cited: The output of an industrial worker, after making allowances for the cost of raw materials, is roughly 3,600 Swiss francs or 720 dollars per annum. On the other hand, the net output per annum of an agricultural worker cultivating cereals in Central and Eastern Europe is only 600 Swiss francs or 120 dollars, that is six times less. It is easy to deduce from these figures the advantages that a State would derive by abandoning agriculture and diverting the energy of its citizens to industry, especially when one makes light of the attendant difficulties. National income would increase six-fold, and prosperity would *ipso facto* ensue.

M. Manoilescu has recently published a book invoking various specious arguments in favour of the policy of extreme industrialization. He undoubtedly possesses a versatile mind and a surprising ability to twist figures and facts in support of his thesis, a faculty which tallies with the intellectual agility he has displayed in adapting his political con-

241 56 of the State. It is this utter lack of consideration for this hard-pressed mass of humanity that raises the indignation of the foreign observer against those who, through the cruel irony of fate, have been called upon to look after the destinies of this luckless people. The selfishness, incapacity, and corruption of which they have given proof can only be compared to that moral disintegration existing under the Tsarist régime, and one should not feel surprise if finally the same developments supervene. The rural population is absolutely sick of the present system and has lost all faith in its politicians.

[668] An important meeting was held early in 1932 at Focşani by fruit-growers and viticulturists, who may be considered to represent the more intelligent classes of the rural population, and the prevalent opinion expressed by the delegates was to the effect that no alleviation could be expected so long as the present system was maintained, and that Bolshevism held out better prospects. This did not cause any alarm, and passed almost unheeded, save for some mild criticism from one of the veterans of journalism in Rumania, M. Batsaria, who, in an article which appeared in the *Adeverul* on January 20th, 1932, admitted that this attitude was significant, yet opined that it was not aimed against the Crown, which at the time was being very roughly handled by General Averescu in the Press campaign the latter had just launched.

241 433 In spite of the culpable neglect with which agriculture has always been treated, the industry remains Rumania's mainstay and sole hope of survival. The whole social life of the country, even its future existence, depends on the normal development of agriculture, which provides not only the food, but also the raw materials for the more promising sections of the country's budding industries, and the means wherewith Rumania can pay for the indispensable articles she imports from abroad, as well as for the payment of interest on her public debt. It is a matter of grave concern, therefore, that the average yield of cereals per hectare should have steadily diminished in the last nine years and sunk below the pre-war average of 1,130 kg. per hectare. If nothing be done to remedy this evil Rumania,

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owing to the natural increase of her population, will in a couple of years have no more wheat available for export, and in ten or twelve years it will be the same with maize. It is imperative, therefore, for the Government to take without delay the steps necessary to increase the yield. This can only be done if the State will undertake to provide selected seed corn, to establish rural banks to enable the peasantry to obtain advances of funds at cheap rates in order to buy machinery and implements, and to create model farms in which more modern methods of cultivation might be demonstrated practically. If grain elevators were also constructed in important agricultural centres, and adequate storage accommodation made available, it would be easy to advance money to farmers on the security of the cereals they could store as a pledge. And if Rumania decided to return to methods of legality and offer safeguards to foreign capital there would be no difficulty whatever in obtaining all the capital she requires for financing such operations, as they would then prove perfectly sound. It is this utter lack of capital which has handicapped the development of agriculture since the war, for the smallholder had to pay usurious rates of interest (40 to 60 per cent being current), while prior to the war large owners could obtain advances from the banks on very reasonable terms. It would be altogether unjustifiable, therefore, to assert, as some people allege, that the breaking up of the large estates had led to the decline of agriculture. On the contrary, it is this measure which has permitted agriculture to survive, for owing to the systematic diversion of capital from agriculture to industry, the owners of the large estates would have found themselves in a worse fix than the smallholders if they had continued to exist and therefore required advances for the maintenance of their estates, as was formerly their wont. Without liquid assets they would have found themselves utterly unable to carry on the cultivation of those large estates, while the smallholder, by dint of hard work and privation, has managed to keep his patch of land under the plough. Some persons may retort that, if the breaking up of the large estates had proved to be a practical operation, the rural population would not have run into debt to the extent of

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241 426 453 really intended to revert to a régime of legality and to the granting of adequate security to foreign capital, there would be hardly any difficulties in its obtaining the necessary aid from abroad in order to permit the establishment of such an institution, and in order to save time it would be politic on its part if without further delay it took the requisite steps to prepare a cadastral register or ground-book. Such measures of self-aid would prove more efficacious than the solicitation at international conferences of preferential rates for Rumanian agricultural produce. For they would help to convince foreign investors that Rumania had at last decided to put her house in order, a decision which, if seriously taken, would probably cause foreign capital to come to her aid and bring to her corresponding or equal advantages to those she would derive from the obtaining of the preferential rates for which she is now craving as a favour from industrial States. There are no insuperable obstacles to the salving of Rumanian agriculture. All that is needed is cheap credit and the lowering of the cost of industrial products used by 241 the peasantry. These *desiderata* may be secured whenever 461 the Government decides to change its methods and adopt as its guiding principles honesty, retrenchment, and austerity. After all, the peasants have done more than their share, and no greater effort can be demanded of them. One who has witnessed the long heartbreak of endless and often unrequited labour that has been their lot, and the fortitude with which they have faced the apathy the State has so far shown towards them, can have no doubts as to the response a little encouragement would evoke from them. Without decent seed grain, and with the most primitive implements, it was but natural that the yield per hectare should decrease. Nevertheless, the steady although small increase of the area under cultivation is a convincing proof that the peasants have never stinted their labour and that they are determined to persist to the extreme limits of human endurance in their efforts to wrest a bare subsistence from the soil. The following table will be found to confirm fully what has been stated 241 above, namely, that while the area cultivated has been 433 maintained, the yield per hectare is on the whole diminishing:

	Average for 5 years 1922—1926		1927		1928		1929		1930		1931	
	Area sown in 1,000 hectares.	Output in 1,000 quintals.	Area sown in 1,000 hectares.	Output in 1,000 quintals.	Area sown in 1,000 hectares.	Output in 1,000 quintals.	Area sown in 1,000 hectares.	Output in 1,000 quintals.	Area sown in 1,000 hectares.	Output in 1,000 quintals.	Area sown in 1,000 hectares.	Output in 1,000 quintals.
Wheat	2,806	24,250	3,118	26,320	2,814	31,440	2,664	28,000	3,055	36,000	3,466	36,800
Rye	287	2,280	277	2,470	319	2,910	310	3,400	391	4,600	407	3,600
Oats	1,197	9,530	1,185	8,420	1,304	9,800	1,200	13,600	1,087	11,600	871	6,700
Barley	1,668	13,180	1,749	13,310	2,190	15,110	2,000	30,400	1,975	23,700	1,919	14,100
Maize	3,593	40,790	3,847	35,330	4,626	27,530	4,790	60,800	4,426	45,200	4,754	63,600
Total	9,551	90,003	10,176	85,850	11,253	86,790	10,944	136,200	10,934	121,100	11,417	124,800

AVERAGE CROP YIELDS IN QUINTALS PER HECTARE

	Average for 1911/15	Average for 1921/26	Average for 1926/30	1929	1930	1931
Wheat ...	11.9	8.7	9.8	9.9	11.6	10.6
Rye ...	9.0	7.9	10.1	10.8	11.9	8.7
Oats ...	9.2	7 7	10.1	11.2	10.6	7.7
Barley ...	10.5	7.6	10.4	13.3	12.0	7.4
Maize ...	13.6	10.7	10.6	13.3	10.2	13.7

The above figures show that there is a vast scope for an improvement, for in Central European countries the average yield of wheat per hectare is about 20 quintals and in Denmark and Great Britain higher yields are common with a much poorer soil than that of Rumania.

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RUMANIA

243 The following were the average prices of the principal cereals at the port of Constantsa per ton during the years 1928–1931, according to the bulletin of the Constantsa Chamber of Commerce:

	1928	1929	1930	1931
Barley ...	5,900	4,580	2,430	1,800
Oats ...	3,400	2,440	1,800	1,520
Maize ...	5,280	4,010	2,600	1,800
Wheat ...	5,280	4,010	2,600	2,550

241 If it be remembered that the value of the agricultural production of Rumania constitutes about 60 to 65 per cent of 433 the whole national revenue, it is easy to realize what a terrible strain such a sudden and brusque diminution in the resources of the country is likely to throw on the entire structure of its economic and social life. For the period of 1926–28 the national revenue was computed at 171 milliard lei, of which 110 milliards were derived from agriculture. According to the *Argus* of February 13th, 1932, this last figure for 1931 had declined to 46.5 milliards.

245 Among the 613,614 hectares occupied by orchards and vineyards, some 209,321 hectares are planted with plum trees which yield an annual average crop of about 5 million quintals of fruit, the yields for the years 1928–30 being respectively 28, 9.5, and 14.6 quintals per hectare. The vine is also very extensively cultivated, 239,825 hectares being planted with it. In 1930 the amount of wine obtained from the grapes grown attained about 8,385,374 hectoliters, about half of which was produced in Bessarabia.

241 The position of the livestock population in a country of 231 small farmsteads like Rumania is liable to exert a great influence on agriculture, for not only are horses and horned cattle used as draught animals, but their manure is the only kind of fertiliser applied to the fields, so that the gradual reconstitution of the livestock situation after the serious damages inflicted on it during the war is a reassuring sign. The recovery would have been much more rapid if the export taxes on cattle and meat had not discouraged the cattle breeders by unduly restraining exports. The following

453 best, were hazardous ventures. Runs on the banks were frequent, even State institutions such as the Agricultural Bank saw its deposits shrink from 42 millions in December, 1930 to 17 millions in March, 1931. During 1931 one of the leading Rumanian banks, the old-established firm of Marmorosch Blank and Co., was obliged to suspend payments, and this failure increased the prevailing scepticism which the public had so far entertained as to the solvability of the banks. The following table, showing the respective prices of leading bank stocks, is indicative of the continued depression under which these institutions are labouring and of the absence of any hopefulness at the present time:

FIGURES ARE GIVEN IN LEI.

Bank.	Average annual quotation, 1929.	Average annual quotation, 1930.	Price in June, 1931.	Price in June, 1932.
National Bank	12,782	6,788	4,900	3,525
Marmorosch Blank & Co. ...	1,207	854	710	——
Banca Romaneasca ...	950	676	500	185
Banca Generala Tarii Romanesti	708	360	90	50
Banca de Scont	308	217	90	30
Banca Comertului (Craiova)	889	633	300	90
Banca Comerciala Italiana si Romana	848	706	675	450
Banca de Credit Roman ...	1,058	665	500	175
Banca Agricola	194	100	70	20
Banca Commerciala Romana	1,482	782	500	250

INDUSTRY

433 To the policy of industrialization, adopted not only by Rumania but also by other neighbouring States, may be ascribed a large share of the crisis that Europe is now traversing. For the creation of parasitic as well as redundant industries, which can only exist under the protection of high tariffs, has had as a result the shrinkage of the markets in which Western European industrial products were sold. This in its turn brought about a diminution of the buying power of these latter nations, who so far had constituted the sole customers for the agricultural produce of the Near East.

Another result of the creation of these industries was the burdening of the populations of Near Eastern Europe with

a cumbersome load of indirect taxation disproportionate to 433
their resources, by which these industries had to be supported, and the further handicapping of these rural populations by the obligation imposed on them to purchase all the industrial articles they required at inflated prices, owing to the fact that these local industries were unprofitable and had to recoup themselves by selling their products at excessive prices under the protection of a high customs barrier.

This policy brought about the gradual pauperization of the rural populations, and the dissipation of the exiguous liquid wealth which the agrarian States had sunk in these artificially created industries. Thus the capital so urgently needed for the development of their agriculture was frittered away through the prevalence of the irrational idea that concentration on agriculture necessarily implies an inferior economic status.

Two policies were now open to these agrarian states: either a further intensification of industry, which necessarily would have to be extended to all domains of activity if it was to succeed (a policy that would clearly end in the final adoption of the collectivist or communist system), or the abandonment of industrialization, followed by the concentration of all available resources on agriculture, mining, and on such industries as find their raw materials locally produced. But this latter course can no longer be adopted except with the financial aid and with the moral and economic co-operation of the Western European States, which will have to choose between the narrow-minded pursuit of self-interest, a policy which is tantamount to condemning these industrial communities to slow death by inanition, or that of embarking on a bold programme of economic co-operation which would once more clear the choked-up channels of international intercourse and allow the vivifying stream of trade to circulate. This is the only salutary path, obstructed though it may be by the stumbling-blocks of well-entrenched vested interests, ready to play upon the emotional nature of an intransigent nationalism whenever they deem it to their interest to discredit international co-operation by decrying all foreign intervention as an affront to the national dignity and a menace to national independence.

000 Though the obstacles may seem insuperable, yet actual suffering must have rendered the agrarian States more amenable to reason, so that one may hope with some confidence that they will not spurn a helping hand. To the layman it would appear to be more rational to go to the assistance of over 50,000,000 of potential customers, inhabiting the five mainly agrarian States of South-Eastern Europe, than to dissipate our energy and resources in the attempt to buttress up Germany.[1]

We may as well face the plain truth that in present-day Europe there is no longer room for two mainly industrial States living solely by exports, and that to make this possible it would be indispensable to scrap all protected industries in Europe and institute universal free trade. As this cannot be accomplished, we would act wisely if we abandoned the present task of salvaging Germany. Patronizing has not been a very propitious policy to us. Our friendship for the Japanese has resulted in our loss of the Chinese market and in the emergence of a most formidable rival to our Lancashire cotton industry, and our present quixotic attitude towards Germany, were it to succeed, would bring in its train even greater difficulties.

433 471 The policy of industrialization was adopted by Rumania after the war, when her frontiers had been sufficiently enlarged to provide an apparently large local market. During the pre-war years Rumania used to import from abroad some 85 per cent of the industrial articles she required, and such industries as she possessed were principally those the raw materials of which were locally provided, namely the milling, brewing, sugar-beet, and lumber industries. In 1913 there were only about 45,000 workmen employed in these occupations, and the total capital invested amounted to about 750 million lei. The acquisition of Transylvania and the Banat (where, owing to the presence of minerals and coal, an industry had developed) increased considerably the number of industrial enterprises in Rumania and led to similar industries being set up in the old kingdom

[1] This was the pet scheme of our bankers, owing to which we were forced to go off the gold standard. (See an article by J. A. Hobson in the "Contemporary Review" for November, 1931).

through a spirit of ill-conceived emulation. According to official statistics there were in 1929 a total of 3,736 industrial establishments, with an invested capital of 40,284 million lei, and employing 201,184 workpeople. Of these firms 1391 were in the old kingdom and 1789 in the Banat and Transylvania. The continuous fall in the purchasing power of the population, the lack of adequate working capital, which forces these industries to borrow money at high rates of interest owing to the prevailing monetary stringency, the disorganization of credit, the diminution of State purchases, and the non-payment by the State for the goods ordered by it from these industrial firms, have placed most of them in jeopardy, and it is very doubtful whether they will be able to survive the present crisis unless the State intervenes further on their behalf.

The following table sets forth the data concerning the various branches of industry operating during the year 1929:

Industry.	Number of establishments.	Capital (million lei.)	H.P. used.	Annual value of output in million lei.	Workpeople employed.
Metallurgical	448	6,444	84,775	8,443	40,236
Electrotechnical	12	83	2,026	208	839
Timber	787	3,457	73,827	5,362	41,656
Food and Aliments	1,004	11,686	126,336	15,312	25,644
Textile	516	5,515	40,421	8,448	35,963
Leather goods	211	1,406	15,117	2,614	7,925
Glassware	35	505	2,500	602	4,218
Building materials ...	296	2,085	52,981	1,573	13,963
Pottery	32	119	683	104	834
Chemical	248	6,131	69,326	11,011	19,238
Paper and Graphic Arts ...	147	2,128	29,971	2,447	10,668

The metallurgical industries have been developed to such an extent that practically all the current implements, from pails and wire to railway locomotives and waggons, as well as agricultural machinery, are locally produced in sufficient quantities for the requirements of the local market.

433 The alimentary industry includes the important sections of sugar-refining, milling, alcohol distillation, and brewing.

[288] The textile industries have shown the greatest expansion, owing to the excessive protection they have enjoyed. The woollen industry is capable now of producing excellent cloths, most of the yarn being supplied by the local spinning mills, which employ wools produced in the country.

The artificial silk and cotton mills obtain their yarn from abroad, practically duty free, and are able to supply about three-fourths of the local requirements. Only the better qualities of cottons are imported, while foreign silks are practically excluded by the prohibitive duty imposed on them.

The knitting industry has also secured a complete control of the market, and no foreign knitted articles are imported.

[313] The lumber industry was some time ago one of the most prosperous in the country. Until 1925 its output was about 3,200,000 cubic metres of timber, out of which some two million cubic metres were exported annually. Since 1930 the demand has fallen off very considerably, and huge stocks have accumulated, and as prices have dropped the sawmills are registering immense losses. Thus one well-known timber firm, the Foresta, had sustained a loss of 250 million lei during 1930, and it may be said that actually all the timber industry is in a very precarious condition, owing to its inability to cope with Russian competition.

[282] The leather industry obtains all its raw material locally, and its production of sole leather and uppers is sufficient for the home requirements. Even gloves, leather cases, etc., are manufactured locally, and only a very limited quantity of fine and superior leather is now being imported.

000 The following table shows a detailed list of imports during 1930:

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Chapter IV

ECONOMIC WEALTH OF THE COUNTRY

Greater Rumania was primarily an agricultural country, but its industry held an important place in the economy of South-Eastern Europe. With its fertile soil, great reserves of mineral resources and considerable water-power Rumania could have been one of the richest countries in Europe. But while the land was full of natural wealth the standard of living of the people remained a low one. Only a small part of Rumania's resources was exploited, and an even smaller part for the benefit of her inhabitants.

About three-fifths of the area of the Kingdom were arable land and pastures, and over four-fifths of her population were employed in agriculture, forestry and in the fishing industry. The unbalanced state of Rumania's economy in the period between the two wars is shown by the fact that in spite of the predominantly agricultural character of the country, Rumanian industry, employing only one-twentieth of the population, was responsible for half of the total production as expressed in value. Approximately two-thirds of all income from exports were also derived from industrial products, chiefly oil, of which Rumania is the foremost European exporter.

One million workers and employees, or one-twentieth of the population, contributing one-half of the total yearly value of production: this is one very significant aspect of the economic struc-

12: Kormos S-4, 5 (no date) 1944
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525 provide their holders with a fair income, and a con-
471 siderable part of the rural population remained
423 landless. Worst of all, those peasants who did obtain land were given neither implements nor sufficient financial help which could have enabled them to make a decent living. Neither of the measures which are essential to the success of peasant proprietorship —State aid in money, machinery and technical advice; or the creation of large-scale co-operative
[641] societies and banks—were carried out. Undoubtedly the extension of the franchise in 1923 to all men of 21 and the land reforms greatly strengthened the position of the peasantry in the State. But, actually, it was widespread discontent with the working of the agrarian reform that stimulated the organization of the National Peasant Party.

423 CROPS. The great devastation of Rumania during
241 the First World War and the effects of the land reform resulted in a great reduction of the country's agricultural production during the immediate post-
[439] war period.[1] Whereas the Old Kingdom alone in 1913 had grown 2,200,000 tons of wheat, of which 1,150,000 tons were exported, and over 3,100,000 tons of maize, of which 1,000,000 tons were exported, the production figures for Greater Rumania in 1921 were for wheat 2,140,000 tons, and for maize 2,810,000 tons. This great decrease is all the more striking in view of the fact that the amount of arable

[1] In Transylvania and the neighbouring territories, taken from Hungary, some of the great *latifundias* had been well and scientifically worked with modern agricultural machinery. There were some conscientious landowners among the Magyar nobility as well as absentee landlords who neglected their peasantry.

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land in 1921 was about twice as much as in 1913. 433 • No doubt the breaking up of the big estates contributed to the spectacular fall in agricultural production. 241 But it need not have done. It was no fault of the peasants that they could not obtain the implements, seeds and financial help which would have enabled them to work the land profitably. The big landowners who were compensated for their losses by State bonds, controlled the banks which granted agricultural loans at high rates of interest. They obtained interest on the State bonds they held. And all this had to be paid for by the peasant. The peasant, now nominal owner of a small strip of land, insufficient for the upkeep of his family, was burdened with the payment of taxes, dues and interest on his mortgaged property. He was, in fact, often worse off than if he had possessed no land at all. This crushing financial burden, more effective than the bondage of feudal times, led to a great migration of peasants to the towns. This resulted in many fields remaining unworked and an increase in the ranks of the unemployed.

The recovery in the production of crops was slow. By 1936 the wheat harvest rose to 3,500,000 tons, and that of maize to 5,610,000 tons. Exports, however, were still far below those of the Old Kingdom in 1913.[1] The higher yields were due to an increase of the area under seed and not to better working methods. The soil of Greater Rumania is extremely fertile, especially in the lowlands of the Danube, in Moldavia and in Bessarabia. But the implements used were, and still are, primitive. Wooden ploughs are still common. Manure was hardly used, the

[1] 1936: wheat 610,000 tons, maize 771,000 tons.

241 ploughing was very superficial. Apart from a few small regions the whole of Greater Rumania's agri-
• 433 culture was extensive and not intensive. That is, crops were harvested year after year without regard to the soil and without any attempt to preserve its fertility. This is one of the reasons for the fact that in spite of much higher soil fertility the average yield per acre in Greater Rumania was far below that in Great Britain.[1]

In addition to the growing of grains and potatoes, the production of industrial crops was begun in the nineteen-thirties and has since made considerable progress, especially that of oil-seeds, flax, cotton, soya beans and sugar-beet. The development of fodder production has made little progress, owing to a decrease in livestock.

231 LIVESTOCK. Rumanian livestock, especially horses,
433 were well known and eagerly bought during the last century. The country was famous for its hardy and fast geldings and exported many horses to Germany, Denmark and Austria-Hungary. From 1886 onwards, when Hungary closed her frontiers to the import of Rumanian livestock, there began a rapid

[1] Average yield in cwt. per acre in the year 1937–8:

	Rumania	Gt Britain	Germany	Greece
Wheat	9·8	16·0	18·0	8·2
Barley	5·1	13·2	17·0	9·0
Oats	5·2	16·3	26·0	7·9
Rye	8·2	13·3	13·3	7·9
Maize	7·5	—	—	10·1
Potatoes	43·0	121·0	152·0	68·0
Flax	3·1	12·0	5·0	—

(From the Statistical Records of the League of Nations.)

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decline which during the Great War assumed very serious proportions. Within a short period the Old Kingdom lost more than half of its total livestock. These losses were only partly made good by the acquisition of the New Territories.

In 1921 Greater Rumania had about 1,700,000 horses of which more than half were in the New Territories. There are two main races, both much smaller and lighter and more short-lived than the heavy type of English cart-horse. The horse of the plains, similar to and often crossed with the Hungarian horse, is found in Muntenia and in the western provinces, the Russian horse in Bessarabia and in the Bukovina. The mountain horse is small and tough and is chiefly used for the carrying of loads.

Cattle breeding has been one of the weakest points of Rumanian agriculture for some time. Although Greater Rumania by the acquisition of territories from Hungary and Austria obtained some high-class cattle, there was on the whole a decline both in quality and in quantity.[1] The decline in quality is due to the widespread use of cows as draught-animals and to inbreeding. The import of good foreign stock has been on an insufficient scale to improve this position, although some regions in Transylvania and the Banat have been able to maintain their good stock. The decline in numbers is due to the increase of meat exports and the absence of any planned breeding policy. The consumption of both milk and meat amongst the peasants is extremely low.

[1] '1921: 5,700,000; 1932: 4,400,000. It is safe to assume that this downward trend continued.

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231 For the majority of Rumania's peasants the most
433 valuable of all animals are his sheep, of which Greater Rumania possessed about 12,000,000. Both the wool and the meat of Rumanian sheep are, however, of a lower quality than those of Great Britain or New Zealand. Sheep's milk, and the cheese made from it, supplement the monotonous diet of the peasant.

[439] Of the 3,000,000 pigs in Greater Rumania most were kept in the New Territories and a large proportion of the country's pork production was exported. Apart from the Rumanian Mangalita, English Berkshires were bred in great numbers.

241 Considered as a whole the agriculture of Greater Rumania, favoured by good climatic conditions and great soil fertility, remained undeveloped owing to the general economic conditions. The peasantry did not possess the necessary implements, buildings or animals which could have secured profitable ex-
[452] ploitation of the soil. Financial help was difficult to obtain, and the loans that were granted were ruinous to the peasant, owing to the high rate of interest.
[453] Co-operatives were few. Some agricultural banks and associations confined to the German colonists in the Banat and in Transylvania were the only ones
[435] which succeeded. Agricultural prices were low and the peasant was often forced to sell his produce before the harvest to export trusts which dominated
[454] the market. The only assistance given by the government consisted in loans and seeds at reduced prices for the growing of certain crops, such as soya beans, for export in order to fulfil international trade
[439] agreements. During the last fifteen years Germany secured an ever greater influence upon Rumania's agriculture and took most of its exports.

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employed in the oil industry. The control of this great source of energy by British and American companies was challenged by Germany, which needed Rumania's oil for the prosecution of her imperialist aims. To-day Rumania is Germany's chief source of natural oil.

INDUSTRY AND TRADE. The industry of the Old Kingdom was hardly developed when, with the annexation of the New Territories, Rumania acquired territories comparatively rich in industrial enterprises, especially the Banat, parts of Transylvania and the Bukovina. Thereby the industrial capacity of Greater Rumania was more than double that of the Old Kingdom. Production, however, was by no means doubled. Trade and industry improved in the years 1925–9 during which considerable capital-imports were effected. The great economic crisis of the next two years hit Rumania very hard and was finally surmounted only in 1936, when the figures for production exceeded those of 1929 by 30%.

The most important Rumanian enterprises were the food, chemical, textile and metallurgical industries. The textile industry increased its output, the number of workers employed as well as the value of its production; but most branches of Rumanian industry increased only the amount and the value of their production, reducing their wage bill and the number of workers partly through the introduction of machinery.

The heavy industry, producing armaments and railway equipment, was controlled by several foreign groups, amongst them Schneider-Creusot, Skoda and Vickers. German capital was invested in the

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433 Resita works and in the Copsa-Mica concern. The
471 most important Rumanian group, representing both German and British interests, was that of Malaxa-Auschnitt. The centre of Rumania's heavy industry is the region around Brasov.

The chemical industry, drawing to some extent on the unexported surplus of agricultural produce, developed substantially, thanks especially to attempts to make Rumania independent of imports. This industry, too, was controlled to a great extent by foreign, chiefly German, interests.

433 The textile industry, although handicapped by old-fashioned machinery imported from Germany, was the most prosperous. Production and value of output increased, as did the number of employees, but wages decreased.

433 Rumania's total industrial production was
511 doubled in the years 1924–36, but this was not re-
435 flected by a corresponding improvement in trade or in the standard of living. The general index of wholesale prices fell by almost a third and that of agricultural produce by nearly half; the prices of manufactured goods decreased by only a little over one-sixth. By 1933 the value of exports and imports had fallen to about 25,600 million lei and was only one-third of that of all foreign trade in 1926. Real wages in the period from 1929 to 1939 fell by over one-fifth, while the cost of living in 1939 was indexed at 138 points in relation to 100 points in 1933.

652 By 1937 Rumania's national debt had reached 257 million pounds sterling of which only one-fifth was represented by internal loans. Interest on foreign loans in 1932 amounted to about one-quarter of the country's budget and in 1937 to about 16%.

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648 Both the political and the economic life of
241 Rumania was subject to complete German domination. The agriculture of the country had to supply the German and Rumanian armies in the field. The area of arable land was feverishly enlarged so as to provide more food. This met with considerable success. In 1941 the country produced almost as much wheat as the whole of Greater Rumania in 1935. Exports almost reached the pre-1940 level.[1] By 1943 the area under wheat had been increased to 3,000,000 hectares and that under maize to 4,000,000 hectares. Even more important is the extension of the land used for the growing of rape seeds[2] and of oil-bearing plants.[3] Rumanian agriculture served a double purpose: the provision of food for the Rumanian and German armies and the supply of Germany's war industry with valuable raw material. The introduction of the soya bean into Rumania, the delivery of thousands of iron ploughs, tractors and other agricultural machinery from Germany only served to further this aim. Exploitation of the peasantry was the immediate consequence; but, if the ploughs and machinery remain when the Germans have gone, Rumanian agriculture is bound to benefit.

• 433 OIL AND INDUSTRY. The output of the chemical, textile and heavy industries were increased considerably. Consumer goods, however, are scarce and very expensive. The yearly production of oil has not

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[1] Export of wheat in 1940, 379,000 tons; in 1941, 2,500 tons; export of maize in 1940, 564,000 tons; in 1941, 117,000 tons. Both have since risen.

[2] 1942: 350,000 hectares grew rape seeds and 600,000 hectares oil-bearing seeds.

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reached the high level of 1935 and 1936,[1] but it has maintained an average of over 5,500,000 tons, of which about 3,000,000 tons have been exported, chiefly to Germany. The rest has been used by the Rumanian armed forces and war industry. As in all other occupied countries, Germany acquired all the Rumanian key industries. The *Kontinentale Oel A.G.* was the holding company for all German oil interests in Rumania. This trust controlled and regulated the output and sale of all Rumanian oil. Rumanian and French investments (by arrangements with the Vichy government) were also represented, but they were of minor importance. One of the effects of German control could be seen in the fact that whole districts, less than a hundred miles from Ploesti, suffered from a chronic shortage of lamp-oil.

All the great iron and steel works of Rumania passed under the control of the Nazi *Hermann Goering Werke*. The well-known German chemical trust *I.G. Farben* absorbed all chemical factories in Rumania and erected new ones. The use of the Rumanian economy in Germany's interests has been coupled with a very thorough financial exploitation. Credits have been granted by the Rumanian National Bank to certain enterprises, under German control, for the import of machinery from Germany. At every stage of manufacture, purchase and sale, export and import, there was a handsome profit which ultimately benefited only a small number of big shareholders, who had interests in each of the enterprises connected with the transaction. Bribes

[1] 1935: 8,376,000 tons; 1936: 8,703,000 tons.

315 pipeline has been completed from a secondary source of supply at Manești to convey this gas to Bucarest to supply both household and industrial requirements.

135 Iron-ore deposits are small, so that the heavy industries are very largely dependent on imports. A variety of other mineral resources, which are believed to exist in greater abundance than has so far been established, have not yet been fully surveyed.

●433 Rumania has a poorly-developed industry, which lags far behind that of western European countries such as Czechoslovakia, though is ahead of all the other south-east European countries, except Hungary. Financially she is a poor country, with very limited capital resources, which has proved a severe hindrance to industrial development and has laid her open to the investment of foreign capital, which has been attracted particularly by the rich mineral oil and forest resources. Skilled labour, also a vital factor in the process of industrialisation, has been lacking, so that the use of foreign technicians has been essential. Other raw-material resources, though adequate to allow the development of a sound and varied industry, are not sufficiently extensive to encourage a very rapid development independent of imported raw materials.

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Industrialisation in Rumania did not start until about 1890, and the period of greatest expansion was between 1929 and 1938. The consumption industries were the first to be developed, and of these food industries are the chief, the raw materials being grown on the spot. The growth of such industries as paper, cardboard, printing, soap, chemicals and furniture, etc., followed. The location of industry in the earlier stages was governed not by such factors as the existence of cheap labour, but was built up in those areas richest in raw materials.

MAIN INDUSTRIAL REGIONS

[311] The main industrial region is in the Prahova valley, where the oilfields are to be found, followed by the Reșița district, where the existence of iron ore, coal, manganese, etc., led to the development of metallurgical and engineering facilities, as well as of such auxiliary industries as coal and wood distilleries. Gold, silver, lead, zinc and copper deposits in the Baia Mare region formed the basis for the erection of both metal and chemical factories. The presence of methane gas, salt, gold, silver and stone quarries in and around Turda determined the location of factories for production of cement, limestone, bricks, tiles, porcelain, glass, sulphuric acid, etc. In the rich forest districts of Ferdinand, Nadrag and Hunedoara, where iron ore deposits are also to be found, blast furnaces and metallurgical industries have been established. The textile industry is mainly established in Cisnădia, Piatra Neamț, Bacău and Buhuși. Apart from the regions mentioned, industry is centred in the principal towns—Bucarest, Timișoara, Brașov, Sf. Gheorghe, Arad, Galați, Brăila, Cernăuți, Cluj and Iași.

The following table gives an idea of the relative importance of the various industries, showing the amount of capital invested and value of production in each of the main groups, and also the number of factories and of personnel employed —

[3c]

INTRODUCTION

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THE MANUFACTURING INDUSTRIES IN 1938

Industry	No. of enterprises	Invested Capital in million lei	Personnel (including workers and managing staff)	Production in million lei
Food	974	10,773·0	38,400	15,577·4
Textiles	640	8,230·3	74,100	14,691·9
Chemicals	397	12,325·3	28,300	14,154·6
Metallurgy	366	8,466·4	51,300	11,362·8
Timber	713	2,273·6	43,300	3,583·5
Leather	158	1,025·3	13,400	3,437·5
Paper	157	3,577·4	15,200	3,088·5
Building materials	258	2,493·4	15,100	1,959·6
Electro-technics	31	199·8	2,700	674·6
Glassware	39	561·4	5,700	527·1
Pottery	34	143·3	1,700	148·9
Total	3,767	50,069·2	289,200	69,206·4

[40]

RUMANIA AS A GERMAN ALLY

To Germany Rumania has been an invaluable if expensive ally—invaluable mainly for her oil production, which accounts for one-third of total Axis supplies; expensive because, in order to exploit the country's usefulness to the full, it has been necessary to provide goods, such as oil-well equipment, agricultural machinery, machine tools, etc., all of which she can ill spare on account of the need for them both in her own country and for supply to her other satellites. To ensure smooth working of the oil-well region German troops have been established in the Ploești district. Apart fom oil German expectations have come to very little in Rumania—her demands for cereals, soya beans, sunflower-seed, etc., have not been fulfilled due to bad harvests, labour shortage and peasant hoarding, and livestock deliveries have been affected by fodder shortage and illegal slaughterings.

As to further German demands on Rumanian economy, the most outstanding were for manpower in the form of troops for the Eastern front, and the use of the country for transit of troops and war materials to the battle zones. Both these facilities have been of considerable material value to the enemy, though in order to make use of Rumanian troops Germany has had to provide the bulk of the equipment, as Rumanian industry is not adequate to supply more than the barest minimum; and even where she has the available facilities, raw materials are lacking.

To exploit the country successfully from the transport angle it has been necessary to set up a control organisation to direct transit traffic, and, in addition, to supply and repair locomotives and rolling stock.

GERMAN PENETRATION

For a great many years, Germany has been the natural supplier of engineering and consumption goods which Rumania was unable to produce for herself, and has provided a ready market for her surplus agricultural produce. Following the coming into power of the Nazi Government, Germany succeeded in acquiring Rumanian trade to an increasing extent at the expense of other countries. With the outbreak of war, Rumania has become even more dependent on Germany as a supplier of manufactured goods in general, and iron and steel products in particular.